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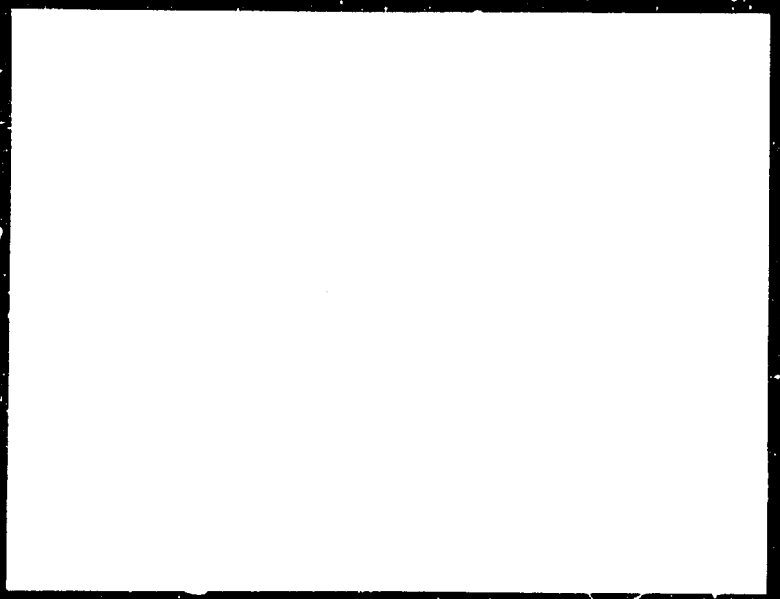

Price Waterhouse L.L.P.

REPUBLIC OF THE PHILIPPINES

PRIVATIZATION ACTION PLANS

FOR

NORTH DAVAO MINING CORPORATION

AND

MARICALUM MINING CORPORATION

December 12, 1991

PRICE WATERHOUSE

International Privatization Group

'80' K Street N W
Washington DC 20006

Price Waterhouse
International Privatization Group

December 12, 1991

Mr. Felipe B. Bince
Associate Executive Trustee
Asset Privatization Trust
10th Floor, BA. Lepauto Bldg.
Paseo de Roxas, Makati

Dear Mr. Bince:

Re: Final Report on Privatization Plans for Maricalum Mining Company (MMC) and North Davao Mining Corporation (NDMC)

The Price Waterhouse/IPG team has completed privatization action plans for North Davao Mining Corporation (NDMC) and Maricalum Mining Corporation (MMC).

The Privatization Action Plans were prepared by Price Waterhouse based on information supplied by MMC and NDMC management and the judgement of our technical consultants, Pincock, Allen and Holt. The financial information supplied by company management was not audited by Price Waterhouse. Draft plans were discussed with the APT Board, the management of the companies and you, and those comments were incorporated, as appropriate, in the final plans.

We have enjoyed working with you and we look forward to your success in selling these companies to private investors.

Sincerely,

Edgar C. Harrell
Director, Programs and Operations
International Privatization Group

PRIVATIZATION ACTION PLANS
FOR
NORTH DAVAO MINING CORPORATION
AND
MARICALUM MINING CORPORATION

Executive Summary

North Davao Mining Corporation (NDMC) and Maricalum Mining Corporation (MMC) face similar problems. Each is a high-cost copper producer operating far below potential capacity due to a shortage of capital for equipment repairs and replacement. Total cash cost of production presently is about US$1.21/lb at NDMC's Amacan mine, and around US$1.03/lb at MMC's Sipalay mine.

At today's copper price of US$1.00-1.10/lb, neither company can generate the funds needed to sustain operations. Without support from outside funding and/or higher copper prices, the plant and equipment at each mine will continue to deteriorate until eventually coming to a halt.

The case of NDMC is urgent as it generates cash losses from operations which serves to accelerate its decline. At today's metal prices, NDMC will require outside financing of around P44 million (US$1.6 million equivalent) in order to keep operating at its present rate for another six months. MMC will require around P41 million (US$1.5 million) for repairs and spare parts.

Output volume at the two operations could be increased substantially through rehabilitation. Major unit cost reductions however will be limited fundamentally by the low grades of their ore reserves.

The Amacan reserves contain low grade copper, but have fair amounts of gold which add significant byproduct credits. Sipalay's reserves on the other hand, contain fair copper grades but get little byproduct help. A rehabilitated NDMC could produce three times its present yearly output of copper at a total cash cost of around US$0.90/lb if operating at potential capacity. Maricalum could increase actual copper production by 60% operating at a cost of about US$0.93/lb.

Each operation requires a significant amount of capital for rehabilitation, however. NDMC will need around P590 million (US$21.1 million) initially, and another P30 million (US$1.1 million) each year thereafter. MMC, being an old operation, will need P480 million (US$17.8 million) initially, at least P70 million (US$2.6 million) each year thereafter, and another P470 million (US$ 17.4 million) between 1994-1997, to replace its ore hauling fleet.

To justify the investments in rehabilitation, NDMC would require a minimum copper price of about US$1.05/lb. MMC would need US$1.03/lb. Considering the volatile nature of copper prices and the uncertainties involved in reaching, and thereafter maintaining, production at potential capacity, the risks associated with the rehabilitation investments are high.

Each operation nonetheless offers interesting upside potential which can attract investors. NDMC's properties are extensive and the prospects for finding gold and more copper are promising. Furthermore, the Amacan operation could become a highly profitable producer if the gold recovery from its ores could be improved. In the case of MMC, good potential lies in lowering Sipalay's production costs further through mine optimization. Marginal cost improvements and/or increases in copper prices can result in substantial profits at MMC, considering its near-breakeven cost of production and high volume of output.

At today's copper prices of around US$1.00/lb, the going concern values of both Amacan and Sipalay are slightly negative. Values are highly sensitive to copper prices which have shown strength lately. If valued at US$1.10/lb, for example, the present value of future copper production is estimated to be about P306 million (US$11 million equivalent) at Amacan, and about P745 million (US$27 million) at Sipalay.

Taking into account their non-government related liabilities, however, the equity values of both NDMC and MMC would be just slightly positive at an assumed copper price of US$1.10/lb. Under lower price scenarios, the equity of each company as a going concern would have a negative value.

Several potential investors are reported to have expressed interest in MMC. Its sale process thus should begin right away considering its large rehabilitation needs. Privatization should be achieved through the sale of all of APT's existing shareholdings and should include a commitment by the buyer to subscribe a new issue of MMC shares to provide needed equity capital for rehabilitation.

NDMC's urgent situation requires a solution quickly. Continuing operation deficits at Amacan threaten to decay its value over the short term. As with MMC, a first effort should be made to sell the company as a going concern by offering for sale all of APT's existing shareholdings and requiring as a condition of the sale a subscription by the new owner to a minimum amount of new share

capital. A six month period should be set for selling Amacan before considering liquidation.

For each of NDMC and MMC, APT should offer to sell all the shares it owns in a package with all government-owned debts (excluding taxes payable). This will give the acquiror of each company the flexibility to restructure the debts and/or convert them into equity if needed.

The minimum acceptable price, or floor price, for each package of shares and debts should be no less than the net liquidation value of the assets (after settling all non-government liabilities). This net value represents an opportunity cost to APT, which it theoretically could realize by closing operations and selling off the assets. Selling the ownership packages for lesser values would create an incentive for acquirors to liquidate the companies and sell their net assets for a profit.

The net liquidation values as recently estimated by independent appraisers exceeded the going concern values of each company, respectively. However, prospective buyers may bid values for each company which are higher than present going concern values based on upside potential, particularly in the case of NDMC which owns extensive unexplored mining concessions.

If liquidation value is to be used as a floor price, then APT should extend attractive payment terms in order to attract buyer interest. A minimum amount of the sales price should be paid in cash (10%) in order to ensure a financially capable buyer, with the remainder payable in the form of National Government Debt (worth 55 cents/dollar), and promissory notes issued by the buyer which would bear no interest and whose terms would be set to result in a present value of the notes of 55%. By making the present value of the notes and the debt equal to each other, the effective value of bids containing different portions of Government Debt and promissory notes can be directly compared.

A bid structure which APT might consider is as follows:

	Face Value	Cash Value
Cash - 10%	10.0	10.0
Nat'l. Gov't. Debt - 30%	30.0	16.5
Promissory Notes - 60%	60.0	33.0

A professional marketing effort is recommended in each case in order to make every effort to identify suitable buyers. A draft information memorandum for each company has been prepared by Price Waterhouse International Privatization Group and is included with the Privatization Action Plan for each company.

Considering their poor financial and operating states, the promotion of each should focus on its upside potential. A sales

memorandum should be prepared for each company and their sales promoted among potential foreign as well as local investors.

A table summarizing key operating and financial data for each company is provided below.

Summary Table

	NDMC	MMC
Processing rate (tpd):		
Potential	25,000	25,000
Current	9,300	16,000
Cash Production (US cents/lb):		
Potential	90	93
Current	121	103
Initial Investment Required:		
million Pesos	590	500
million US$	22	19
Net Present Value of Assets (@ US$1.00/lb):		
million Pesos	(170)	(200)
million US$	(6)	(7)
Value of Assets by Similar Transactions:		
million Pesos	135	270
million US$	5	10
Non-Government Debt (Sept. 1991):		
million Pesos	190	670
million US$	7	25
Net liquidation Value:		
million Pesos	459	498
million US$	17	18

REPUBLIC OF THE PHILIPPINES

PRIVATIZATION ACTION PLAN

FOR

NORTH DAVAO MINING CORPORATION

PRICE WATERHOUSE

International Privatization Group

December 12, 1991

REPUBLIC OF THE PHILIPPINES

PRIVATIZATION ACTION PLAN FOR NORTH DAVAO MINING CORPORATION

CONTENTS

I. INTRODUCTION

Price Waterhouse (U.S.) has been contracted by the United States Agency for International Development (USAID) to assist the Asset Privatization Trust (APT) of the Philippines in executing the privatization of North Davao Mining Corporation (NDMC, the Company).

Price Waterhouse (PW), through its International Privatization Group (IPG), has undertaken to prepare a Privatization Action Plan for NDMC and thereafter assist APT with the execution of the plan therein recommended including the preparation of a sales memorandum, promotion of the Company among potential investors, and provision of investment banking advice during the negotiation and closing of an eventual sale.

To provide a technical foundation for its work, PW engaged Pincock, Allen & Holt, Inc. (PAH), international mining consultants from the U.S. PAH was requested to provide a technical diagnosis of NDMC and on the basis of this, a valuation of the Company as a going concern. An appraisal team comprising PAH and IPG technical specialists visited the Company and its operations in late July of this year.

This report by PW/IPG constitutes a Privatization Action Plan for NDMC. Its conclusions and recommendations are based largely on the findings of PAH which are contained in a report to PW dated September 16, 1991 (the Evaluation Report). IPG also has relied on studies of NDMC recently conducted by Joaquin Cunanan & Co. (Philippines), the local PW affiliate.

This Privatization Action Plan briefly summarizes the principal findings by PAH. Its principal focus is to recommend a valuation of APT's interests in the Company and to develop a strategy for selling these interests. A more complete assessment of NDMC's existing condition and operating potential is provided in PAH's Evaluation Report which will be made available to APT upon request.

This final report is an updated version of a draft report dated September 26, 1991, which was reviewed with APT and the Company's management in October of this year. It reflects comments made by members of the Board of Directors of APT and NDMC management and incorporates input provided by Mr. Felipe Bince of APT.

II. OBJECTIVES

PW/IPG has been guided in the execution of this assignment by APT's primary objectives which have been communicated to be as follows:

- to transfer the ownership of NDMC to the private sector as soon as possible and under the best possible terms for the Philippine government, as owner;

- to prefer a sale of NDMC as a going concern over a sale of its assets in order to ensure continuation of the important socio-economic benefits generated by the Company's operations in the Davao del Norte province, and

- to conduct the privatization process in a professional and transparent manner

PW/IPG understands that APT cannot make new investments in NDMC to sustain its operations and cannot guarantee or in any way provide funding to NDMC. The Company thus must be sold in an "as is" condition.

PW/IPG also understands that APT wishes to sell the rights to the existing NDMC loans owed to the Philippine Government together with the sale of NDMC's shares. These loans as of August 1991, amounted to P21,334 million (US$790 million equivalent).

III. COMPANY DESCRIPTION

A. BACKGROUND

NDMC was incorporated in 1973 as a 100% privately-owned Filipino company. It began mining and processing copper ore deposits on its Amacan properties in 1982. Major design and technical problems with its new processing plant however, caused major start-up delays and frequent interruptions in operations until these problems were finally resolved some six years later. High operating losses and financial costs incurred in the meantime eventually led to a foreclosure of NDMC by its principal creditor, the Philippine National Bank (PNB), in 1985.

In 1980, NDMC entered into an agreement to operate the Hijo gold mining claims which were owned by an affiliate company. The Company established ore reserves, developed an open-pit mine and exploited gold at Hijo for several years but eventually abandoned operations in 1985, due principally to its financial difficulties.

After foreclosing NDMC's operations, PNB assumed majority control over the Company through conversion of a portion of its loans into shares. This controlling interest was transferred to APT in 1987. APT since then has acted as trustee on behalf of the Philippine National Government, assuming responsibility for the Company's operations and managing the Government's equity and loan exposure to the Company. At the present time, APT holds 93.4% of the outstanding shares of NDMC.

B. PROPERTIES

NDMC owns mining claims and holds lease contracts covering about 16,400 hectares in the province of Davao del Norte. The most significant claim areas are those containing the Amacan copper ore reserves, occupying about 300 hectares, which the Company owns. The only other properties with identified ore reserves are the Hijo claim areas, covering some 2,400 hectares, which are still under an operating agreement with NDMC.

Mining and processing facilities at the mine site are used to exploit remaining identified reserves of some 69 million tonnes of copper and gold bearing ore. Copper contained in Amacan's reserves is of low grade, however, averaging only around 0.33%. Interesting amounts of gold are produced as a byproduct, adding about 12% to the value of copper sold at today's mineral prices.

Plant installations at Amacan have a potential capacity to treat 20,000 tonnes/day (tpd) of ore. At this rate, remaining reserves are sufficient for 9-10 years of production. The Amacan property nonetheless holds good potential for expanding reserves for several

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more years of operations according to favorable opinions by several geologists.

A geological study of the Hijo property recently carried out by independent consultants indicates a remaining potential reserve of 1.7 million tonnes of ore containing over 3 3 grams of gold per tonne. In the opinion of PAH, however, existing data is insufficient to confirm the property's ore reserves but nonetheless suggestive of an interesting gold prospect.

In addition to its mining properties, NDMC leases warehouse and port facilities at Madaum, some 70 km from the mine site, and owns a small administrative office and adjoining warehouse in the city of Davao. The Company also owns five floors of an office building in Makati which it occupies as its head office.

C. EMPLOYMENT

About 940 employees and workers are employed at the mine site and another 80 at headquarters. Workers and their families at the site are provided housing, educational, medical and general community services by the Company. Amacan's workers do not belong to organized unions.

The operations at Amacan also support many of the small-scale miners who extract gold from NDMC's and the Hijo claim areas. NDMC assists these small miners by buying, processing and selling their ore production thereby providing income to hundreds of families who otherwise have limited employment alternatives.

IV. ASSESSMENT OF CURRENT CONDITION

Amacan's effective capacity presently is constrained by a severe shortage of mining and hauling equipment and needed spare parts for its grinding mills. Currently, Amacan is mining and milling only around 10,000 tpd of ore. Operations also have been prone to power interruptions and water supply problems, both of which disrupted production in 1990.

With ore throughput presently at below 50% of potential capacity, Amacan is producing around 1.3 million pounds of payable copper on a monthly basis along with about 360 ounces of gold. The sales value of this output at current market prices is about US$1.4 million (P39 million equivalent).

According to recent estimates by PAH, NDMC's total cash cost of production at Amacan at its present operating rate is equivalent to around US$1.21/lb of copper, after byproduct credits for gold. This cost includes a 5% mining tax on its gross sales. At a copper price of US$1.00/lb, the Company generates a cash operating loss of around P7.4 million (US$0.3 million) monthly, on average.

PAH estimates that NDMC requires immediate capital expenditures of around P9 million (US$0.3 million) just to sustain operations at the current rate for six months. Another P44 million (US$1.6 million) will be needed to cover operating losses during this period if copper prices remain at today's level.

In their present condition, NDMC's mining and processing facilities are inefficient and uneconomic. Operations are now generating substantial cash losses and as a result, the Company is unable to make basic repairs and buy needed spare parts. Unless copper prices substantially improve or outside funding is provided soon, Amacan's production facilities will continue to deteriorate and eventually come to a halt, perhaps as early as the first quarter of 1992.

NDMC intends to fund its immediate funding requirements using its available cash, presently at about P30 million (US$1.1 million), and by selling its Makati office space. This property recently has been independently appraised at P22 million (US$0.8 million).

Considering the Company's present financial situation and short-term prospects, the timing for its privatization is urgent. A new owner is needed who can mobilize the capital resources required to restore Amacan's plant and equipment to potential capacity and lower its unit production costs to profitable levels.

V. ASSESSMENT OF OPERATING POTENTIAL

Because of its low ore grades and high infrastructural requirements, Amacan should produce the most amount of copper which is economically possible in order to maximize output and thus minimize unit production costs. With lowered costs, the Company can better ensure its survival during periods of low prices.

According to estimates by PAH, Amacan's mining and processing operations could be rehabilitated and enhanced to a potential of 25,000 tpd with an initial investment of around P590 million (US$21.1 million). This investment is needed principally to replace and add new equipment (60%), repair and rehabilitate the processing plant (26%), restore spare parts and tool inventories (10%), and expand and repair the tailings disposal dam (5%). Ongoing yearly investments of around P30 million (US$1.1 million), on average, will be required thereafter to maintain production at this expanded capacity level.

PAH estimates that Amacan, operating at 25,000 tpd, could triple its current copper output to an average of 48.3 million lbs of payable copper per year over the next 7-1/2 years. The increase in volume and operating efficiencies resulting from rehabilitation could reduce its average cash cost of production to the equivalent of 90 US cents/lb (in present cost terms), including the 5% mining tax. At this cost of production, NDMC would be able to generate a cash surplus from operations of around P11 million (US$0.4 million) per month, on average, at present copper prices. However, this breakeven level offers little protection against the risk of lower copper prices.

Significant unit cost reductions will be limited fundamentally by low ore grades, which are barely economic at today's copper prices. Profitability from Amacan's operations could be substantially improved however if recoveries of the gold contained in its copper ores could be increased. Only 15% of the gold is presently being recovered by the existing processing facilities. Significant amounts of gold have passed on through the plant and are contained in the tailings dumps.

In PAH's opinion, increased recoveries of gold might be technically feasible by adding a special processing line. Low-cost recovery of gold from already processed ore contained in the tailings also may be possible. If gold recovery can be doubled or tripled, for example, Amacan potentially could become a profitable producer even at low copper prices. Metallurgical testing of Amacan's ores and technical studies will need to be made, however, in order to confirm this potential.

VI. VALUATION

A. METHODOLOGY

Considering APT's preference to sell NDMC as a going concern, its operations have been valued based on cash generation potential. The present value of future cash flows generated by the Company's operations represents the value of the assets which generate such flows. The present value methodology is deemed to be the most appropriate to the sale of NDMC, considering that it would probably be acquired by a single investor group which is likely to value its acquisition based on future returns on investment.

Valuation of NDMC's assets should be based on their best potential use at the present site. The value of the Company's existing assets is maximized if additional investments can be made to rehabilitate the facilities, enhance production and minimize cash costs of production. Valuation thus has been based on PAH's investment and operating cost estimates for increasing the Amacan operations to 25,000 tpd.

The cash flows produced by the rehabilitated operations at Amacan will yield a valuation of the Company's assets after the new investments have been made. Thus the present value of all new investments must be subtracted from the present value of the projected cash flows generated by the rehabilitated operation in order to arrive at the value of NDMC's existing assets.

Once the value of NDMC's existing assets has been estimated,the value of its equity can be determined by subtracting the value of its liabilities from the value of its assets. Considering that APT also wishes to sell the debts owed by the Company to the National Government, these Government debts should be grouped together with its equity as a package for valuation purposes. The value of this package, comprising all of APT's interests in the Company, is thus determined by subtracting the value of NDMC's non-Government liabilities from the value of its existing assets.

In addition to cash flow potential, NDMC's equity offers interesting intangible values as represented by the opportunities to discover additional ore reserves on its extensive claim areas as well as the operating rights to Hijo. Because reserves at Hijo and the Company's other claim areas have not been adequately proven, however, it will be difficult to extract a value for this upside potential in the form of a fixed price. APT nonetheless could consider some type of override in the form of a royalty or profit-participation on future revenues or profits which could be derived from new ore discoveries or gold production from Hijo.

The possibility of greater gold recoveries from the Amacan ores represents additional intangible value. Since the technical and financial feasibility of extra gold recovery has not been demonstrated, however, it will be difficult to fix a price on this potential. NDMC's intangible values nonetheless should be highlighted in the marketing of the Company so that they will be reflected in the bid prices offered.

B. ASSUMPTIONS

Amacan's future cash generation will depend principally on the following four factors: (i) future copper prices; (ii) the investment expenditures required to rehabilitate and improve existing facilities, (iii) future copper output and (iv) future operating costs. Considering the volatile nature of copper prices and the significant impact of price changes on the Company's cash generation, this factor can be expected to have the greatest impact on the value of the equity and debt package to be sold by APT.

In a recent market study, The Outlook for Copper to the Year 2000, (April 1991), PAH predicted copper prices to remain at near present levels over the next several years, reflecting a close balance expected between supply and demand. Beginning as early as 1995, however, copper supplies are expected to tighten, leading to higher prices. PAH believes that higher copper prices ultimately will be necessary in order to attract new capacity and increase supply.

APT should base Amacan's valuation on a copper price of around US$1.00/lb, which reflects the current medium-term price trend in the copper futures markets. As of the date of this report, the current copper price is between US$1.00/lb - US$1.10/lb while the March 1993 copper future price is at around US$0.95/lb - US$1.00/lb. Conservative prospective investors are unlikely to assume prices which are much higher than US$1.00/lb.

With regard to assumptions regarding future investment expenditures, APT should use the estimates made by PAH for rehabilitating and expanding the Amacan operation to 25,000 tpd. An initial investment outlay of around P570 million (US$21.1 million) should be assumed, followed by yearly expenditures of about P31 million (US$1.2 million), on average, in order to sustain operations at this level. A residual value for the equipment and machinery at the end of 1999, equivalent to 20% of the value of the initial investment, is assumed.

Projected copper production and operating costs at an operating rate of 25,000 tpd have been projected by PAH in the Evaluation Report. Copper output, as shown in Appendix A, will vary from year to year based on the grades of the ore being mined. The cash cost of production is estimated to be US$0.90/lb, on average, net of byproduct credits. A production life of 7-1/2 years based on remaining identified reserves should be assumed even though the

prospects for identifying additional ore reserves at Amacan are good.

The above assumptions for investment expenditures, copper output and operating costs are considered to be achievable by an efficient operator in PAH's opinion. A valuation based on these "base case" assumptions thus would be fair in that the resulting valuation is realizable and yet allows new investors interesting upside potential through additional production from expanded reserves, higher copper prices and perhaps higher gold recoveries.

C. PROJECTED CASH FLOWS

Projected cash generation from operations at several copper prices is shown in Appendix A. At an assumed copper price of US$1.00/lb, operations at Amacan would generate an annual cash flow of around P100 million (US$3.8 million), on average, after rehabilitation is completed. Initial and ongoing investment outflows required to attain the projected operating cash flows are also shown in the Appendix.

The cash flow projections demonstrate the high sensitivity of cash generation, and therefore valuation, to copper prices. A difference of US$0.10/lb represents a variation in annual cash generation of about P130 million (US$4.8 million), on average.

D. DISCOUNT RATES

The appropriate discount rate to use in valuing Amacan's projected cash flows should reflect the risks involved in achieving these cash flows. While the base case assumptions recommended above may be realistic and achievable, the historic volatility of copper prices and the uncertainty involved in attaining the assumed output and production cost levels are likely to represent significant risks to prospective investors.

Non-operating risks such as political and economic risks will also be factored by prospective acquirors into the discount rate to be applied to projected cash flows. Perhaps among the most important of these is the possibility of a continuing lag in the devaluation of the Philippine peso against the US dollar, which would result in a squeezing of future profit margins and cash flows.

The discount rates which prospective investors will apply to evaluate Amacan's projected cash flows are likely to be in the 15% to 25% range, considering the sizeable investments that are required and the significant risks described above. Since projected cash flows are pre-tax and in real terms, the discount rate to be used also should be a pre-tax and constant-price rate. APT should use the average rate of 20% for valuing Amacan's operating cash generation under the base case assumptions recommended above.

Projected capital expenditures should be discounted at a rate which is less than that applied to cash flows from operations, considering that estimates of investment outflows are subject to less uncertainty than those of cash inflows from operations. A 10% rate, representing an opportunity cost of capital, would be fair for this purpose.

E. GOING CONCERN VALUE

Using the base case assumptions and discount rates recommended above, the valuation of NDMC's existing assets, as employed in the going concern at Amacan, would be as follows (in million Pesos):

	at a Copper Price of US$1.00/lb	US$1.10/lb
Value of Rehabilitated/Expanded Assets	420	890
less: Value of Capital Expenditures	590	590
Value of Existing Assets	(170)	300

In its Evaluation Report, PAH estimated the value of Amacan's assets to be negative P140 million (US$5.3 million) at a copper price of US$1.00/lb and a discount rate of 20% applied to both operating cash flows and capital investment outflows. The valuation difference reflects discounting of investment outflows at the higher 20% rate but also a lower assumed residual value.

To determine the value of the package of equity and Government debt to be sold by APT, the value of NDMC's non-Government liabilities must be subtracted from the estimated value of the Company's assets. Using the value of NDMC's liabilities as of August 1991, the resulting values of the package to be sold by APT are shown below (in million Pesos):

	at a Copper Price of US$1.00/lb	US$1.10/lb
Value of Existing Assets	(170)	300
less: Non-Gov't. Liabilities	190	190
Value of Equity & Gov't. Debt	(360)	110

The above analysis indicates that the value of APT's interests in NDMC if sold as a going concern is little to negative, unless copper prices which are higher than US$1.08/lb are assumed. The reason for the low valuation fundamentally lies in the low grade of its ore reserves, which are barely economic at today's copper prices even if exploited efficiently.

The valuation above, however, does not incorporate the interesting upside potential represented by the Company's properties and operations. This potential ultimately should be the principal attraction to prospective acquirors.

A higher financial value for NDMC than the one derived above might well be achieved through a sale of the Company's assets under liquidation. Such a value however would exclude consideration of the important socio-economic values generated by the ongoing operations at Amacan. To preserve the continuation of these benefits, APT may wish to consider selling its interests at a value which is below that which it could alternatively realize under a liquidation of the Company.

In addition to valuing NDMC by discounting projected cash flows, PAH also estimated Amacan's value based on prices paid for comparable copper properties which have been sold recently in other parts of the world. Based on the median acquisition cost paid per pound of recoverable copper in 63 transactions during 1989-1990, Amacan's reserves and facilities would be valued at around P130 million (US$4.7 million). This value nonetheless would be insufficient to cover NDMC's non-Government liabilities, again implying a slightly negative value of APT's interests.

Although the above valuation estimates suggest that it may be difficult to sell NDMC as a going concern, APT nonetheless should attempt to sell the Company as such in an effort to preserve the employment and other socio-economic benefits generated by its ongoing operation. In spite of its low ore grades and dim financial prospects, prospective investors who are bullish on copper may take an interest in buying the Company at the right price. Others may be attracted by the potential to improve gold recoveries and/or make significant ore discoveries on the Company's properties.

F. LIQUIDATION VALUE

The liquidation value of NDMC should serve as a reference point for determining the sales price of APT's interests. This is because the acquiror of these interests will have the option of closing down the Company and selling off its assets. If APT sells its interests at below liquidation value, this could create an incentive for the investor to liquidate the Company in order to make a quick profit.

NDMC's physical assets were recently appraised by Valencia Appraisers at the request of J. Cunanan & Company. Although the appraisers attempted to take into account the market values of these assets, the resulting estimates are highly uncertain due to the lack of comparable transactions for such assets. APT should take into account that the values estimated by Valencia may be difficult to realize within a short time frame, due to the thinness

of the local market.

In addition to the physical assets which have been appraised, the Company has cash and owns office space which normally would have a liquidation value. By the time the Company is sold or liquidated, however, the cash balance is likely to be near zero. Similarly, APT should assume that the office space in Makati will be sold and that the sales proceeds consumed by the time the Company is sold as a result of continuing operating losses. The net liquidation value of APT's interests thus is estimated as follows (in million Pesos):

Cash	0
Acts. Receivable (1)	132
Inventories (2)	93
Fixed Assets (3)	519
Total Assets	744
Current Liabs. (1)	174
Separation Pay (4)	50
Total Non-Gov't. Liabs.	224
Value APT Interests	520
less: Closing Costs (5)	61
Net Liquid. Value	459

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(1) Based on balances as of August 31, 1991.
(2) As appraised by Valencia, net of obsolete items.
(3) As appraised by Valencia, excluding land, buildings and improvements.
(4) As estimated by NDMC management.
(5) Equivalent to 10% of value of inventories plus fixed assets.

The above estimate of around P460 million (US$17.0 million) is a cash equivalent value. APT may choose to discount this estimate further to consider the risk of realizing lower values in the market than those estimated above and to account for the amount of time which may be required to liquidate and receive payment.

The estimated liquidation value does not include a value for the rights to exploit the Hijo claims. The pricing of rights to develop properties with unproven ore reserves, such as Hijo, typically is negotiated in the form of a royalty. APT may wish to consider such a mechanism in structuring its invitations to bid for NDMC. Since NDMC does not own the Hijo mining claims, however, it may not be able to negotiate a significant royalty, particularly if the present owner of the claims already has rights to a royalty.

In view of the Company's poor operating and financial condition, APT should consider that prospective investors interested in acquiring the Company as a going concern may be unlikely to bid a price which approaches the above estimated liquidation value. APT also should consider, however, that it could probably realize a value which approximates the above estimate by liquidating the Company itself.

Thus APT thus may wish to use the above estimated liquidation value as an "indicative price" in its invitation for bids. Lower bid prices may be acceptable given proper assurances by the acquiror of sustaining the operations at Amacan. The best indication of such an assurance would be a commitment by the acquiror to make a significant investment of capital in the Company to rehabilitate its operations.

VII. PRIVATIZATION OPTIONS

A. BASIC METHODS

The following options for privatizing NDMC can be considered by APT:

- sale of existing shares;
- dilution through sale of new share issue;
- bulk sale of Amacan-related assets as an ongoing operation, either with or without NDMC's other assets, and
- independent sales of NDMC's claims and assets through liquidation

The approaches of privatizing NDMC through either a public offering of NDMC's shares or a management buyout are probably unviable. The option of leasing Amacan's assets and operations to a private operator is undesirable due to its inadequacies in (i) addressing the need for new capital to ensure ongoing operations, and (ii) moving ownership out of the hands of the Philippine government.

B. SALE OF EXISTING SHARES

This approach involves the sale of all or a majority of NDMC's existing shares together with the Government owed debt held by APT to either a single buyer or a small group of private investors. This approach would ensure the sale of NDMC as a going concern but would not provide for new capital to be invested in the Company. New investment would be up to the discretion of the buyer.

A sale of NDMC's existing shares offers the advantages of expediency for the seller and flexibility for potential buyers. Considering APT's preference to sell NDMC as a going concern, this approach may be the most desirable for APT.

To ensure that new capital is invested in the Company, APT could make it a condition of sale that the acquiror commit to subscribe a new issue of shares, the amount of which can be determined by APT.

C. SALE OF NEW SHARES

Dilution through a sale of new shares to private investors who would become majority owners in the process will automatically ensure new capital for NDMC. As part of the process, APT could either retain its existing shares for a later sale or include the sale of its shares as part of the privatization.

APT should retain its shares if it believes the shares will rise in value at a later date, perhaps as a result of new ownership and new capital to rehabilitate existing operations. Retainership of the shares would carry substantial business risks, however, and require regular supervision by some government agency. APT also should consider that since the Company's shares are not listed in the public markets, divestment of APT's shares at a later date may not be quick or easy.

Privatization through dilution would require APT to complete the process of increasing the authorized capital of NDMC, which could be a lengthy process and delay privatization. For this reason alone, it may not be the preferred option.

D. BULK SALE OF ASSETS

This approach involves the sale of NDMC's assets in a package and as an ongoing operation. It is an attractive process from a buyer's viewpoint in that it provides the buyer an opportunity to restructure existing operations and avoid unwanted and contingent liabilities which may be carried by the going concern. As reported by PAH in its Evaluation Report, the Company has been directly discharging tailings materials from its processing plant into the Masara River while repairing the tailings dam. This practice could possibly expose the Company to a contingent environmental liability which a new owner will want to avoid.

NDMC assets to be included in a bulk sale should be all those directly related to its operations, including its mining claims and the Hijo operating agreement, plant facilities, all equipment, installations and working capital, but excluding the Makati office space which probably will be sold before completing an eventual sale. The Company's non-Government liabilities could be assumed by the acquiror as a condition of the sale. Government owed debts would be retained by NDMC and covered (partially at best), with the proceeds from the sale.

APT's concerns regarding the survivability of ongoing operations at Amacan can be addressed through a condition of the sale requiring the new owner to make a minimum capital investment in the operations. The amount should be significant enough to ensure a commitment by the acquiror to continue operations.

This process provides a high degree of flexibility to both the seller and the buyer for negotiating a transfer of Amacan's operations and for this reason should have good chances of success. However, this process requires the consent of all the Company's creditors which could be difficult to obtain in a reasonable time period, particularly considering NDMC's uncertain future. APT nonetheless should consider this option if privatization efforts through the sale of its existing shares prove to be unsuccessful.

E. LIQUIDATION SALE

This approach may generate the greatest sales proceeds for APT, considering that the value of NDMC as a going concern is expected to be little to zero. Because the socio-economic cost of closing the Amacan operation is considerable, however, this approach should be taken only as a last resort once other options involving a transfer of the Company as a going concern have failed to produce a suitable owner and a satisfactory price.

Before considering this approach, APT should also take into account the high degree of uncertainty regarding the feasibility of selling the Company's physical assets in view of the special nature of many of these assets and the limited local market for such assets.

VIII. RECOMMENDED STRATEGY

A. PROCESS

Considering its preference to sell NDMC as a going concern, APT should first attempt to privatize the Company via a sale of existing shares. APT should also include all the Government-owed debts of NDMC for sale together with its shares as a single package. By including the Government-owed debts, APT will permit the acquiror to reschedule, write-down and/or convert these debts into equity. Once the acquiror has financially restructured the Company, it will be in better position to borrow in order to rehabilitate its operations.

It would be advisable for APT to sell all its shares in NDMC considering the high risks and supervision costs associated with a retained equity exposure. A complete divestment of Government interests probably will be preferred by a new private acquiror.

In line with its privatization rules, APT will offer to sell its interests via a public invitation to bid. The invitation should be well publicized and marketed internationally as well as locally, considering that several foreign mining companies are known to maintain active interests in acquiring copper properties around the world.

Because of the urgent financial situation of the Company, the bid date should be set as early as possible. Sufficient time should be allotted, however, for prospective foreign investors to adequately study a potential acquisition of NDMC and obtain internal approvals. About 3-4 months will be needed for this purpose.

APT should make every effort to sustain ongoing operations at Amacan during the marketing period. This will preserve the value of its interests and enhance the probabilities of successfully selling the Company as a going concern. NDMC will probably need to sell the office space it owns in Makati in the meantime in order to fund ongoing cash losses from operations. It is urgent that APT begin this task as soon as possible in view of the Company's dire financial situation.

Should interest in acquiring the Company fail to materialize by the indicated bid date, APT then should consider a bulk sale of NDMC's assets to any party which may have expressed interest in acquiring the Company or its assets. Though APT should still try to sell NDMC as a going concern, a bulk sale will provide prospective acquirors an added degree of flexibility to restructure the operations and shed unwanted contingent liabilities.

B. TERMS OF SALE

APT should establish a reference sales price tied to the estimated liquidation value of NDMC's assets considering that it itself or a new owner could realize this value simply by closing the Company and auctioning its physical assets. As estimated above, the reference value would be around P460 million (US$17.0 million) as measured in cash equivalency.

APT may also wish to establish a minimum acceptable bid price, or floor price, to use to reject low bids. The floor price should be somewhat lower than the reference price, taking into account the risks and trouble of going through the alternative process of liquidation. A discount of at least 10%-20% to the reference price should be applied to arrive at an appropriate floor price. APT would be well advised to not inform the public of its floor price level, however, to allow it flexibility in selecting lower bids from well-intentioned, highly qualified bidders if it so desires.

In the interest of broadening the market of potential acquirors, APT should offer sales terms which are flexible and attractive. APT should require a minimum payment in the form of cash, but also accept as payment National Government Debt (NGD) and promissory notes to be issued by the acquiror (PN). Payment with NGD could attract the interest of foreign banks which hold Philippine debt by providing them flexibility in booking the swap of Philippine debt for the investment in NDMC. All PN taken as partial payment should be secured by a mortgage on existing fixed assets as well as by a pledge of the NDMC shares being sold to protect APT against sales of these assets and shares by the acquiror prior to repayment of the PN.

APT may wish to structure the repayment terms of the PN such that the present value of future note payments would be equivalent to the present value of NGD. This would simplify the process for selecting the preferred bid among those which offer differing proportions of payments in cash, NGD and PN.

For example, if the PN are to be payable in equal semi-annual (or even quarterly) installments over a five year period after one year of grace (i.e. six years in total) and a discount rate of 20% per annum is to be applied to future note payments, then the present value of the PN would be equal to about 55% of the sum total of future installments. This present value closely approximates the ratio of cash value/face value of NGD in today's secondary markets. Thus APT could be indifferent between accepting payment in NGD and PN, assuming that the 20% discount rate adequately reflects the risks associated with future PN payments by the acquiror.

APT might consider structuring the bids for its equity and loan interests in NDMC as follows:

10% payment in the form of Cash
30% payment in the form of NGD
60% payment in the form of PN.

Under such a structure, APT would establish the nominal reference price by dividing the cash equivalent bid value by 0.595 (according to algebraic derivation), assuming a 55% cash equivalent value for NGD and a 55% cash equivalent value for PN. Thus for a cash equivalent bid price of P460 million, the corresponding nominal reference price would be around P773 million (US$28.6 million), payable as follows:

	Nominal Value	Cash Value
10% Cash	77	77
30% NGD	232	128
60% PN	464	255
Total	773	460

To ensure the survivability of NDMC as a going concern, APT should require a fresh capital investment into the Company by the acquiror as a condition of sale. This capital investment could be made in the form of a commitment to subscribe a new issue of NDMC shares, make a subordinated loan to the Company, or provide capital through a combination of new equity and subordinated loans.

The amount of new capital to be required of the acquiror should be enough to cover a significant proportion of the initial investment requirement for a rehabilitation of the Amacan operations. APT should consider requiring at least one-third of this amount, or P190 million (US$7.0 million), based on PAH's estimate. Additional amounts of financing needed to complete rehabilitation might be obtained by the acquiror through new borrowings, assuming that existing Government-owed debts are either subordinated or converted into equity by NDMC's new owner.

C. MARKETING

In view of NDMC's poor operating and financial condition, the sale of APT's interests in the Company should be broadly promoted. Efforts to sell the Company should focus on its geological and operational potential, as discussed above. Investors with the technical and financial capabilities to develop this potential should be identified and approached regarding the opportunity to acquire NDMC.

An information memorandum describing the Company, its operations and its potential should be prepared and distributed to prospective local and foreign investors. APT also should prepare and distribute with the information memorandum a draft term sheet

describing the general terms and conditions of the proposed sale of its interests in NDMC.

At APT's request, IPG has prepared a draft information memorandum for such purpose which is included in Appendix B. APT should review the draft memorandum and approve it for distribution to selected prospective investors. APT should work closely with local legal counsel in drafting a term sheet to attach to the memorandum. Suggested terms for the term sheet have been generally described above.

IPG also has compiled a list of prospective investors with assistance from PAH. The list, included in Appendix C, includes five Filipino mining companies, twenty foreign mining companies, six foreign copper smelting and refining companies, five mineral trading companies and two international banks with significant Philippine debt exposure and successful experience in completing debt/debt and debt/equity swaps. APT should select those names on the list which it approves for distribution of the information memorandum.

In addition to marketing NDMC to targeted prospective investors, APT should announce its intention to privatize NDMC to the general public in the interest of attracting the largest number of prospective investors possible. An advertisement should be published in local dailies as well as foreign newspapers and journals. IPG has suggested the Metal Bulletin, the Mining Journal, and the Asian Wall Street Journal as foreign publications which would be suitable for this purpose. A draft announcement for publication has been drafted by IPG and is included in Appendix D.

Prospective investors expressing interest in NDMC should be invited to visit the Company and its operations and to conduct due diligence reviews. To ensure that all interested prospective investors receive the same set of information on which to base their analysis, NDMC should prepare a formal information book containing detailed historical operating and cost data as well as descriptive information regarding the Company's reserves and physical assets. This task should be formally assigned by NDMC management as soon as the information memorandum is distributed.

APPENDIX A

NORTH DAVAO MINING CORPORATION

Financial Projections
(Peace, MM)

Exchange Rate = 27 Pesos/US$1.00

	1992	1993	1994	1995	1996	1997	1998	1999
Payable Copper Produced (MM lbs)	43.29	45.85	47.13	50.25	44.43	45.85	55.50	30.04
Cash Flows @ $1.00/lb Copper:								
Gross Revenues (Incl. Au & Ag)	1,284	1,360	1,398	1,490	1,318	1,360	1,646	891
Mining Taxes	(47)	(50)	(51)	(55)	(48)	(50)	(61)	(33)
Freight, Smelting & Refining	(339)	(359)	(369)	(393)	(348)	(359)	(435)	(235)
Cash Operating Costs	(863)	(862)	(867)	(874)	(868)	(857)	(838)	(444)
Cash Generated by Operations	35	89	111	168	54	94	313	179
Capital Investments	570	24	51	24	24	24	31	(114)
Net Cash Flows	(536)	65	59	144	29	70	282	293

Present Value of Cash Generation:	
@ 15% =	510
@ 20% =	418
@ 25% =	348

Present Value of Capital Investments:	
@ 10% =	585

APPENDIX A

NORTH DAVAO MINING CORPORATION
SENSITIVITY ANALYSIS
Financial Projections
(Pesos, MM)

Cash Flows @ $1.10/lb Copper:

	1992	1993	1994	1995	1996	1997	1998	1999
Cash Generated by Operations	151	213	238	304	174	218	463	260

Present Value of Cash Generation:

@ 15% =	1,063
@ 20% =	891
@ 25% =	759

Exchange Rate = 27 Pesos/US$1.00

Cash Flows @ $1.20/lb Copper:

	1992	1993	1994	1995	1996	1997	1998	1999
Cash Generated by Operations	268	337	365	440	294	341	613	341

Present Value of Cash Generation:

@ 15% =	1,615
@ 20% =	1,364
@ 25% =	1,169

Exchange Rate = 27 Pesos/US$1.00

Cash Flows @ $0.90/lb Copper:

	1992	1993	1994	1995	1996	1997	1998	1999
Cash Generated by Operations	(82)	(35)	(17)	33	(66)	(30)	163	98

Present Value of Cash Generation:

@ 15% =	(42)
@ 20% =	(55)
@ 25% =	(62)

Exchange Rate = 27 Pesos/US$1.00

APPENDIX A

NORTH DAVAO MINING CORPORATION
VALUES OF EXISTING ASSETS
(Pesos, MM)

DISCOUNT RATES	@ Copper Price of:			
	US$0.90	US$1.00	US$1.10	US$1.20
15%	(627)	(75)	478	1,030
20%	(640)	(167)	306	779
25%	(647)	(237)	173	584

APPENDIX B

REPUBLIC OF THE PHILIPPINES

NORTH DAVAO MINING CORPORATION

INFORMATION MEMORANDUM

I. INTRODUCTION

The Asset Privatization Trust (APT) is an official agency of the Philippine Government charged with the custody, conservation, provisional management and eventual disposition of assets, including the equity of and receivables from several corporations, which it holds in trust on behalf of the Philippine government. APT is supervised by the Committee on Privatization (COP), which is responsible for the formulation and implementation of the Philippine Government's privatization program.

APT owns a controlling interest in and is the principal creditor of North Davao Mining Corporation (NDMC, the Company), a copper and gold mining company with operations on the eastern part of the island of Mindanao. APT and COP recently have decided to offer for sale APT's equity and credit interests in NDMC. APT intends to invite interested parties to participate in an open bid for its interests in NDMC, to be held in late February 1992.

The purpose of this memorandum is to provide basic information regrading NDMC's operations to assist potentially interested parties in assessing their interest in participating in the intended bid process.

The information provided in this memorandum is based on financial and operating data maintained by NDMC. APT makes no representations or warranties regarding the accuracy, completeness and reliability of the information contained in this memorandum and advises all interested parties to conduct their own due diligence reviews and investigations on NDMC, its financial condition and operations and on the applicable Philippine laws, rules and regulations prior to participating in the bid process.

All parties which may have an interest in participating in the bid process are asked to express such interest in writing to APT as early as possible. Upon receipt of such written expressions of interest, APT will invite each interested party to visit the Company's operations, interview its staff and inspect its records.

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Interested parties are asked to direct all inquiries to:

Mr. Felipe Bince, Jr.
Associate Executive Trustee
Asset Privatization Trust
8747 Paseo de Roxas, 10th Floor
Makati, Metro Manila
Philippines

Tel: (632) 818-4733
Fax: (632) 818-4591

II. THE COMPANY

A. HISTORY

NDMC was incorporated in November 1973 under the laws of the Republic of the Philippines as a 100% privately-owned Filipino company. It originally was owned and operated by Samar Mining Corporation (SAMICO) which developed two projects on the Company's mining claim areas: the Amacan copper mining project and the Hijo gold mining project.

Construction of a 25,000 tpd ore processing facility at the Amacan site began in 1981. Though the plant was put into operation in 1982, mechanical problems were encountered with the grinding mills which persisted for several years and caused numerous production interruptions. The inability of the mill to sustain production led to difficulties in servicing local and foreign debts which the Company had contracted to finance the construction of the facilities. Debt servicing problems were compounded by a rapidly devaluing Peso during NDMC's start-up years. Low ore production coupled with escalating financial costs led to deepening losses and rapidly growing debt obligations.

The Company during its early years also operated the Hijo gold project under an operating agreement from SAMICO, who maintained ownership of the Hijo claims. The Company is reported to have extracted some 608,000 tonnes from 1980 to 1985 through an open pit operation. Extracted ore was milled by a neighboring mining company under contract until NDMC was forced to abandon the operation due to its financial difficulties.

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NDMC's local loans were provided by Philippine National Bank (PNB), a state-owned bank, which also guaranteed its foreign loans. PNB eventually assumed all of NDMC's foreign debts and by 1986 had taken a controlling interest in the Company through the conversion of a portion of these loans into equity.

In June 1987, PNB transferred its equity and loan interests in NDMC to APT along with several other non-performing assets. APT since then has exercised majority control over the Company. Presently, APT holds 93.4% of the total shares of NDMC. The former private owners maintain a minority equity position in the Company.

Technical problems with the Amacan processing facilities were finally resolved in 1988, but by this time the Company was already in a difficult financial situation which hindered its ability to adequately maintain its plant and equipment. NDMC presently requires substantial capital investment to rehabilitate its operations and restore it to profitability.

B. PROPERTY LOCATION AND DESCRIPTION

NDMC's mining properties are located in the province of Davao del Norte, about 120 km northeast from Davao City. Access to the properties from Davao City is by paved highway for about half the distance and thereafter by gravel road cut along the bank of the Hijo River. Travel time is around 2-1/2 to 3 hours by land. A project location map is provided in Figure 1.

Topography is generally moderate to rugged with elevations reaching 2,100 masl. Most hills within the vicinity rarely exceed 700 masl however. Drainage is through the Hijo River, which drains northward to westward to the Davao Gulf. Primary virginal forest cover still exists in the neighboring areas, which are inhabited by Mansaka and Mandaya natives who carry out small-scale crop farming and mining activities.

C. MINING CLAIMS

NDMC owns mining claims and holds lease contracts covering a total area of about 16,400 hectares. The most significant of these are those containing the Amacan copper orebody. Claims related to the Hijo project, covering about 2,400 hectares, are under an operating agreement with SAMICO.

Most of NDMC's claims are under application for Mineral Production Sharing Agreement (MPSA) with the Mines and Geosciences Bureau of the Philippine Department of Environment

and Natural Resources. Once the application process is finalized, mineral exploitation from these claims will be subject to a mining levy of about 2% of gross mining revenues plus 10% of net mining revenues (i.e. after operating expenses, depreciation and investment allowances). Until the MPSA is finalized, NDMC is subject to a 5% mining tax on its net revenues (net of treatment and refining charges).

Hundreds of small-scale miners exploit minerals located on NDMC's claim and lease areas. Many of these are high-grading the pit and adit areas of the abandoned Hijo property. Much of this illicit production is sold to NDMC for processing at its Amacan facilities. The People's Small-Scale Mining Act, passed in June 1991, provides NDMC with rights to control small-scale mining activities on its properties.

D. FINANCIAL CONDITION

Since it commenced commercial operation, NDMC's financial performance has been severely impaired by an overwhelming debt burden. Interest expenses have drained the Company of funds generated by its operations leaving it without the necessary resources to adequately maintain its plant and equipment. Over time, production capacity has steadily deteriorated resulting in declining output, rising costs of production and, consequently, a worsening financial condition. NDMC's weak financial situation has prevented it from properly developing its mines at Amacan and Hijo or exploring its promising claim areas.

At the present time, the Company is operating at below 50% of potential plant capacity due to a shortage of operable mining equipment. At this rate of production, the Company's total cash cost of production is estimated to be around US$1.20 per pound of copper produced, (including treatment, refining and transportation charges and mining taxes, and net of gold byproduct credits of US$0.12/lb of copper). At today's copper price of around US$1.05/lb and with copper output at about 1.3 million pounds monthly, the Company generates a cash operating loss of approximately US$210,000 equivalent, on average, each month.

Summary financial statements for NDMC covering the past three years and the first eight months of 1991 are provided in the attached Appendix. The Company presently is in an illiquid position, unable to service its debts or make the repairs and investments necessary to restore its operations to a profitable level. NDMC's financial statements do not reflect a contingent liability for employee severance benefits, estimated by its management at Pesos 50 million (US$1.9 million).

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Because of its large outstanding debts (equivalent to about US$800 million as of August 1991), the Company is not in a position to obtain additional borrowings and the Philippine government, as owner, is unable to inject additional capital. Without a new owner who has the technical and financial capabilities to rehabilitate its production capacity, the Company's operations will soon come to a stop due to a lack of operable equipment.

III. AMACAN OPERATIONS

A. GEOLOGY AND RESERVES

The Amacan orebody is situated near the eastern edge of the North-South trending Masara mineralized belt. The belt is about 15 kilometers wide and several tens of kilometers long and is noted to contain gold and copper mineralization. A generalized geologic map of the Amacan property is shown in Figure 2.

Rocks on the Amacan property consist of andesite flows that are intruded by diorite stocks and dikes. Mineralization occurs mostly within the andesites and the diorite at or near the contact with the andesites. The andesites and diorite are intensely altered. Quartz-biotite-chlorite alteration is closely associated with moderate to high-grade copper mineralization in both rock types. Chlorite-epidote-pyrite alteration is associated with low grade ores. Silicification is commonly found in diorites containing weak to moderate copper grades.

The Amacan orebody is approximately 1,000 meters long, 500 meters wide and 100 meters thick. The main metallic minerals are pyrite and chalcopyrite. Gold occurs in the size range of 10 to 150 microns and is found in pyrite, chalcopyrite, sphalerite and galena.

The potential for discovering other Amacan-type deposits within the immediate vicinity is promising. Two areas in particular have been identified to be good prospects, one to the south and another to the north. Scout holes drilled in the southern area have revealed interesting copper content and soil samples taken along creek areas have shown moderately to highly anomalous copper dispersion patterns. To the north, exposures of mineralized diorite have been noted, revealing remnants of chalcopyrite and pyrite. A summary of NDMC gold and copper prospects is provided in Figure 3.

The current Amacan deposit model is based primarily on a study conducted by Pincock, Allen & Holt (U.S.) in 1980. The database for the original study consisted of geologic and assay logs from

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71 diamond drill holes having a total length of 13,250 meters. NDMC has subsequently modified the deposit model by incorporating geologic and assay data from 27 additional drill holes.

The geologic resources within the deposit model as of October 1989 were as follows:

Cutoff Grade	Tonnes (MM)	Copper Grade
0.19	135.3	0.30
0.22	108.5	0.32

The open pit design used for the Amacan copper mine is based on the feasibility study completed by Pincock, Allen & Holt. The current pit advance and final pit design are illustrated in Figure 4. Reserves remaining as of July 1991, are provided below.

NDMC - Amacan Mine
Remaining Mineable Reserves

	0.19% TCu	0.22% TCu	0.25% TCu
Ore Tonnage (DMT,MM)	82.23	68.94	56.85
Grade (% TCu)	0.318	0.340	0.362
Adjusted Grade (% TCu)	0.302	0.325	0.344
Waste Tonnage (DMT,MM)	65.28	78.57	90.66
Waste:Ore Ratio	0.79:1	1.14:1	1.59:1

NDMC engineers also have designed a preliminary open pit around a potential ore zone near the primary crusher, estimated to contain 8 million tonnes of ore above a 0.20% copper cutoff grade. Since the bulk of the area around the open pit and a substantial area inside the pit have not been drilled, the potential for additional low grade reserves is almost a certainty.

B. MINING AND MILLING OPERATIONS

A layout drawing of the Amacan mine site is provided in Figure 5. Historic mine and mill production, for every other year and 1991 to date, is summarized below.

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NDMC - Amacan Mine
Historic Mine and Mill Production

Year	Ore Mined (T,MM)	Ore Grade (%TCu)	Ore Milled (T,MM)	Ore Grade (%TCu)	Cu Recov. (%)	Conc. Prod. (T,000)
1982	2.81	0.50	2.30	0.49	63.8	30.88
1984	6.05	0.44	6.24	0.43	80.4	92.61
1986	6.09	0.38	7.77	0.36	79.8	69.89
1988	4.69	0.33	4.61	0.32	75.5	43.25
1990	4.56	0.32	4.42	0.31	77.4	42.43
1991 (8 mos.)	2.49	0.33	2.36	0.30	74.2	22.10

Mine production at Amacan has declined steadily since 1985, due to the Company's financial inability to adequately maintain its equipment. Total material mined during the first eight months of 1991 averaged 18,000 DMT per day, of which 9,300 DMT was ore.

Declining equipment availability has resulted in increasing mining costs, which have risen from US$0.055 per tonne in 1982, to US$0.358 per tonne in 1991. Out of a fleet of 15 haul trucks, normally only two are available for production. The current equipment fleet and fleet availabilities for 1990 and the month of June 1991, are presented below.

NDMC - Amacan Mine
Major Open Pit Equipment

No. in Fleet	Equipment Type	Size	Physical Availabilities June 91	1990
2	Joy RR 12E B.hole Drills	9 in 0	61%	71%
3	P&H 1900 Al Shovels	12 cu yd	73%	78%
1	Clark 475B F.end Loader	15 cu yd	0%	14%
6	Komatsu (HD780) Haul Trucks	85 ton	22%	16%

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9	Wabco Haul Trucks	120 ton	13%	29%
1	Clark Rubber Tired Dozer		0%	15%
2	Graders	14 & 16G	1%	81%
3	Komatsu D-155 Tracked Dozers		32%	42%

The ore processing facility at Amacan consists of a 20,000 tpd capacity copper flotation concentrator and a 15 tpd gold carbon-in-leach plant which is used to process ores purchased from local small-scale miners.

Over the past five years the copper concentrator has been processing about 12,000 tpd, though this throughput has dropped recently to around 9,000 tpd. Copper recovery is about 75% and concentrates contain around 24% copper, 5 grams per tonne of gold and 30 grams per tonne of silver. Recovery of gold into the flotation concentrates is only around 15%. The gold plant processes ores averaging 3 grams per tonne and recovers about 80%.

The design of the copper concentrator is conventional, incorporating three stages of crushing, single-stage ball milling, rougher and cleaner flotation with regrinding of rougher concentrates. Primary plant equipment includes:

i) a single 1.5 x 2.5 meter gyratory crusher capable of crushing 2,200 tonnes per hour to minus 150 mm;

ii) two 3.2 x 4.2 meter drum scrubbers; two spiral classifiers;

iii) two 2.1 meter standard cone crushers;

iv) four 2.1 meter shorthead cone crushers;

v) four 5.3 x 7.8 meter overflow ball mills driven by two 1,800 kW motors;

vi) three rougher flotation banks, two for ground ore and one for slimes;

vii) one 3.6 x 5 meter overflow ball mill equipped with a 1,000 kW motor for regrinding;

viii) one 25 meter diameter thickner for concentrate flows;

ix) two 100 meter diameter thickners for flotation tailings.

Tailings are placed in a volcanic crater located about 3.5 kilometers north of the plant, the outlet of which is dammed. The dam is now filled and its height is presently being increased to a second lift which will last for another three to four years. As of August 1991, the tailings dam was not being used and, instead, the tailings were being discharged directly into the Masara River while investigative drillings were being carried out to determine the cause of excessive water flow through the dam wall internal drainage system. NDMC management reports that these seepage problems have now been remedied.

Ancillary facilities associated with ore processing include an office/laboratory building with offices for the mill staff, a metallurgical testwork laboratory, and a sample preparation/assaying laboratory.

Production by the concentrator plant has fallen gradually over the last five years, partly as a result of declining tonnage of ore fed to it from the mine and partly because of lower grades of ore. Processing costs at the present rate of production are estimated at US$2.53/tonne.

Concentrates produced by the plant are trucked by a contractor in highway dump trucks of about 18 tonne capacity to a leased storage building and ship loading facility located near the town of Tagum, at the outlet of the Hijo river. Distance from the plant to the port is about 70 kilometers.

Ships carrying the concentrates are generally of about 4,000 to 5,000 tonnes capacity, allowing loading to be completed within two days. Available water depth at dockside is 9 meters. The largest ship loaded has been 11,500 tonne capacity but the dock could probably handle larger vessels if necessary.

Besides increasing the ore processing rate once mining capacity is restored, the economics of the processing facilities can be significantly improved by increased recovery of gold and dump leaching of waste rock. Gold recovery has been low largely because of the association of the gold with pyrite and deliberate depression of pyrite to maximize the copper concentrate grade. However it may be possible to produce a separate pyrite concentrate which could be processed at the plant or sold to smelters.

Preliminary testwork regarding dump leaching conducted several years ago showed promise although high clay content at that time resulted in problems with percolation. Currently exposed material has much less clay however, and thus the possibility of recovering additional copper through dump leaching is good.

C. INFRASTRUCTURE AND ADMINISTRATION

NDMC employs approximately 1,000 people, of which 940 are at the minesite. The remaining staff are located at the Company's head office in Makati, Manila. The Company's employees and workers are not unionized. At the present low production rate, General and Administrative costs average about US$1.25 per tonne of processed ore.

Power at Amacan is provided by the National Power Corporation, the government-owned utility. Average power load is currently 15 MW. With the plant at full capacity of 20,000 tpd, the average load is about 30 KW. Unit cost is low at about US$0.03 per kWh. Diesel is the principal fuel for the mine operation and for the concentrator dryer (when used).

Make-up water for the ore processing plant is provided by pumps set in the local Masara River, a small river that runs between the plant and the administrative building. Domestic water is sourced from Piaminian Creek, a small stream situated west of the processing plant.

The Company maintains housing and community services for its employees, including a 12-bed hospital, schools, recreational facilities, churches and markets. Security at the site is provided by a contractor and a government battalion.

IV. HIJO PROPERTY

A. HISTORY

Gold mineralization on the Hijo property was first discovered in 1934. Extensive exploration was undertaken by the owners of SAMICO who eventually developed underground mines at Hijo. In 1940, a 150 tpd gold plant mill was established. Operations were discontinued in 1941 because of the outbreak of World War II.

Post war activity resumed in 1956, when SAMICO renewed development activities and expanded reserves at Hijo and neighboring prospects. Because of low prevailing gold prices, the mines were not reopened at that time.

APPENDIX B

In 1974, SAMICO attempted to re-establish operations at Hijo using an open pit approach. The old underground workings also were rehabilitated and extensive grid drill sampling was undertaken. Identified ore was substantially increased to around 900,000 tonnes of proven and possible reserves. Operations were not resumed however, due to a lack of funds and gold price uncertainties.

In 1979, SAMICO entered into an operating agreement with NDMC to exploit the Hijo property. The Company in 1980 started-up mining operations, delivering ore to a neighboring mill for processing. Operations were suspended in 1985, however, due to high delivery costs to the mill, low gold prices and the financial difficulties NDMC was experiencing at the time. During the five years of operations, NDMC extracted around 610,000 tonnes with an average grade of 5.39 grams of gold per tonne.

Since the closing of the Hijo operation, hundreds of small-scale miners have been working the adits, shafts and abandoned open pit at Hijo and neighboring prospects. The Company estimates that from 19,000 to 38,000 grams are being extracted from the site on a monthly basis. NDMC nonetheless maintains rights to exploit the Hijo claims based on operating agreement with SAMICO.

B. GEOLOGY AND RESERVES

Hijo is located in the western flank of the Masara mineralized belt. Gold mineralization consists of structurally controlled hydrothermal vein, stockworks, and replacement-breccia filling to disseminated type of deposit.

The Hijo orebody is about 45-70 meters wide and over 200 meters long. The northern extension of the Hijo deposit is still unknown due to limited sub-surface exploration. Vertically, the deposit has been traced from about 510 meters elevation down to less than 390 meters elevation, or about 60 meters below the Hijo river level.

Hijo is one of three deposits structurally localized along a series of parallel faults. The other two deposits are known as the Barrio Deposit and the Palali Deposit, both of which are extensions of Hijo. The three deposits are of replacement-breccia filling to disseminated type, workable by open pit. Three other nearby deposits of the hydrothermal vein type have been identified, along with one deposit of stockwork type.

The deposits have been recently studied by geologists contracted by NDMC. Total reserves, including positive, probable, possible, at Hijo, Barrio and Palali have been estimated at around 970,000 tonnes with an average gold content of 5.1 grams per tonne.

APPENDIX B

Measured, indicated and inferred reserves for the three vein and stockpile deposits are estimated to be 310,000 tonnes containing around 4.7 grams of gold per tonne. Assay plans, drill core and other pertinent records however are poorly preserved and thus more complete sampling and testing would be required to confirm the extent and mineral content of these reserves.

NORTH DAVAO MINING CORPORATION
Balance Sheets
(Pesos, MM)

	August 1991	1990	1989	1988
Assets				
Cash & Short-term Investments	29.7	101.0	33.7	77.6
Accounts Receivable - net	132.4	119.0	81.5	101.2
Inventories - net	308.2	340.4	309.2	266.2
Prepaid Expenses	25.0	20.4	56.7	44.1
Misc. Deposits	3.6	4.3	2.7	25.0
Total Current Assets	498.9	585.1	483.8	514.1
Fixed Assets - net	1,398.9	1,516.2	1,672.1	1,832.6
Deferred Foreign Exchange loss - net	110.2	159.0	179.1	317.8
Preoperating Expenses - net	51.6	66.4	88.5	110.6
Other Assets	1.7	1.7	1.7	2.7
Total	163.5	227.1	269.3	431.1
TOTAL ASSETS	2,061.3	2,328.4	2,425.2	2,777.8
Liabilities & Equity				
Accounts Payable & Accrued Expenses	173.5	245.8	226.6	231.9
Government-assumed Debts:				
Loans Payable	16,585.5	14,490.4	9,702.9	8,439.4
Accrued Int. & other Fin. Charges	3,607.9	3,014.4	2,546.2	2,095.6
Long-term Debts	1,140.7	1,352.7	1,403.9	1,721.7
Total	21,334.1	18,857.5	13,653.0	12,256.7
Others	16.7	0.0	4.4	0.0
TOTAL LIABILITIES	21,524.3	19,103.3	13,884.0	12,488.6
EQUITY	(19,463.0)	(16,774.9)	(11,458.8)	(9,710.8)
TOTAL LIABILITIES & EQUITY	2,061.3	2,328.4	2,425.2	2,777.8
Memo Item:				
Period-end Exchange Rate (Pesos/US$)	27.40	28.00	22.43	21.34

NORTH DAVAO MINING CORPORATION
Income Statements
(Pesos, MM)

	8 mos. 1991	1990	1989	1988
Revenues from Operations	361.5	779.4	705.1	750.3
less: Refining Costs	98.0	210.3	179.7	144.9
Mining Tax	12.8	28.4	0.0	0.0
Net Revenues	250.7	540.7	525.4	605.4
Cash Operating Expenses:				
Mining	45.3	74.7	79.5	64.3
Milling	152.3	207.6	242.7	208.5
Marketing	19.1	17.1	28.4	29.0
General overhead	73.0	109.9	161.2	154.9
Total	289.7	409.3	511.8	456.7
Operating Income	(39.0)	131.4	13.6	148.7
Noncash Operating Expenses:				
Depletion and Depreciation	129.8	198.1	186.8	188.0
Amortization of preoperating expenses	14.7	22.1	22.1	22.1
Provisions for inventory adjustments	0.0	0.0	1.4	0.0
Provisions for doubtful accounts	0.0	0.0	1.4	2.0
Total	144.5	220.2	211.7	212.1
Profit (Loss) from Operations	(183.5)	(88.8)	(198.1)	(63.4)
Other Charges (Income):				
Interest expense - net	2,073.3	2,100.0	1,828.0	1,954.8
Amortization of deferred foreign exchange loss	48.8	101.7	97.8	188.8
Special retirement pay	0.0	1.2	26.2	0.0
Foreign exchange loss (gain)	0.0	3,026.8	(395.1)	244.1
Miscellaneous	(9.3)	(2.4)	(7.1)	(16.0)
Net	2,112.8	5,227.3	1,549.8	2,371.7
Net Profit (Loss)	(2,296.3)	(5,316.1)	(1,747.9)	(2,435.1)
Memo Items:				
Total Material Mined (DMT, 000)	4,481.9	7,371.7	8,012.1	8,745.8
Total Ore Milled (DMT, 000)	2,363.3	4,416.7	4,647.1	4,609.4
Cu Concentrate Produced (DMT, 000)	22.1	42.4	46.3	43.3
Cu Metal Produced (lbs, MM)	11,595.0	23,380.5	25,516.8	24,376.5
Au Metal Produced (oz, 000)	3.5	6.5	7.6	6.8
Period-end Exchange Rate (Pesos/US$)	27.40	28.00	22.43	21.34

APPENDIX C

LIST OF PROSPECTIVE INVESTORS

Foreign Mining Companies

1. Magma Copper Mining Company (U.S.)
2. RTZ Corporation Plc (U.K.)
3. Phelps Dodge Corporation (U.S.)
4. Asarco Incorporated (U.S.)
5. Cyprus Minerals Company (U.S.)
6. Broken Hill Proprietary Co. Ltd. (Australia)
7. Anglo American Corporation (S. Africa)
8. Boliden Mineral AB (Sweden)
9. AGIP Resources Ltd. (Canada)
10. Exxon Corporation (U.S.)
11. Western Mining Corporation (Australia)
12. Atlas Corporation (U.S.)
13. Hecla Mining Company (U.S.)
14. Placer Dome Inc. (Canada)
15. MIM Holdings Ltd. (Australia)
16. Royal Oak Resources (Canada)
17. Ventures Trident LP (U.S.)
18. Industrial Minera Mexico, S.A. de C.V. (Mexico)
19. Arimetco Inc. (U.S.)
20. Mamut Mining (Malaysia)

Filipino Mining Companies

1. Atlas Consolidated Corporation
2. Lepanto Mining Corporation
3. Bengetti Mining Corporation
4. Marcopper
5. Philex

Foreign Smelting and Refining Companies

1. Korea Mining and Smelting (Korea)
2. Mitsui Mining and Smelting (Japan)
3. Nippon Mining (Japan)
4. Sumitomo Metal Mining (Japan)
5. Dowa Mining (Japan)
6. Furukawa Corporation (Japan)

International Trading Companies

1. Marubeni Corporation (Japan)
2. Marc Rich (U.K.)
3. Doy International Inc. (Korea)
4. Mitsubishi Corporation (Japan)
5. Alexander & Company (Australia)

International Banks

1. Citibank (U.S.)
2. BankAmerica (U.S.)

APPENDIX D

REPUBLIC OF THE PHILIPPINES

Announcement of Intention to Privatize

North Davao Mining Corporation

and

Maricalum Mining Corporation

The Asset Privatization Trust of the Philippines intends to invite bids for the purchase of controlling interests in each of the above mining companies.

Maricalum Mining Corporation is a well-established operation located on the island of Negros which owns facilities with a potential capacity to mine and process over 25,000 tonnes/day of copper ore.

North Davao Mining Corporation is a relatively new operation on the island of Mindanao owning extensive claim areas with promising reserve potential and facilities with a potential capacity to mine and process 20,000 tonnes/day of copper and gold containing ore.

Investors interested in obtaining information memoranda describing these acquisition opportunities are requested to contact:

Mr. Felipe Bince
Asset Privatization Trust
8747 Paseo de Roxas, 10th Floor
Makati, Metro Manila
Philippines

Tel.: (632) 818-4733
Fax: (632) 818-4591

REPUBLIC OF THE PHILIPPINES

PRIVATIZATION ACTION PLAN

FOR

MARICALUM MINING CORPORATION

PRICE WATERHOUSE

International Privatization Group

December 12, 1991

REPUBLIC OF THE PHILIPPINES

PRIVATIZATION ACTION PLAN FOR MARICALUM MINING CORPORATION

CONTENTS

I. INTRODUCTION

Price Waterhouse (U.S.) has been contracted by the United States Agency for International Development (USAID) to assist the Asset Privatization Trust (APT) of the Philippines in executing the privatization of Maricalum Mining Corporation (MMC, the Company).

Price Waterhouse (PW), through its International Privatization Group (IPG), has undertaken to prepare a Privatization Action Plan for MMC and thereafter assist APT with the execution of the plan therein recommended including the preparation of a sales memorandum, promotion of the Company among potential investors, and provision of investment banking advice during the negotiation and closing of an eventual sale.

To provide a technical foundation for its work, PW engaged Pincock, Allen & Holt, Inc. (PAH), international mining consultants from the U.S. PAH was requested to provide a technical diagnosis of MMC and on the basis of this, a valuation of the Company as a going concern. An appraisal team comprising PAH and IPG technical specialists, visited the Company and its operations in late July of this year.

This report by PW/IPG constitutes a Privatization Action Plan for MMC. Its conclusions and recommendations are based largely on the findings of PAH which are contained in a report to PW dated September 16, 1991 (the Evaluation Report). IPG also has relied on a liquidation appraisal study of MMC recently conducted by Asian Appraisers. (Philippines).

This Privatization Action Plan briefly summarizes the principal findings by PAH. Its principal focus is to recommend a valuation of APT's interests in the Company and to develop a strategy for selling these interests. A more complete assessment of MMC's existing condition and operating potential is provided in PAH's Evaluation Report which will be made available to APT upon request.

This final report is an updated version of a draft report dated September 26, 1991, which was reviewed with APT and the Company's management in October of this year. It reflects comments made by members of the Board of Directors of APT and MMC management and incorporates input provided by Mr. Felipe Bince of APT.

II. OBJECTIVES

IPG has been guided in the execution of this assignment by APT's primary objectives which have been communicated to be as follows:

- to transfer ownership of MMC to the private sector as soon as possible and under the best possible terms for the Philippine government, as owner;
- to sell MMC as a going concern via a sale of shares;
- to conduct the privatization process in a professional and transparent manner

PW/IPG understands that APT cannot make cash investments in MMC to sustain its operations and cannot guarantee or in any way provide funding to MMC. The Company thus must be sold in an "as is" condition.

PW/IPG also understands that APT wishes to sell the rights to the existing MMC loans owed to the Philippine Government together with the sale of MMC's shares. These loans, as of September 1991, amounted to P3,251.4 million (US$120.4 million equivalent).

III. COMPANY DESCRIPTION

A. BACKGROUND

MMC was formed in 1984 to assume the mining claims and operating assets of the former Marinduque Mining and Industrial Corporation (MMIC) at Sipaly, Negros Occidental, after the latter had been foreclosed in the previous year. As part of an overall reorganization of MMIC's businesses, MMC also assumed a portion of its debts.

The Sipalay copper mine and processing plant had been in operation since 1956, but were closed while MMIC was foreclosed and reorganized. MMC restarted operations after these had been shut-down for two years. The facilities which MMC inherited for the most part were old and in disrepair, requiring substantial maintenance.

B. PROPERTIES

The Sipalay mining claims cover approximately 3,130 hectares and contain three copper ore bodies. Remaining available reserves are estimated at around 86 million tonnes of ore containing copper with an average grade of 0.55%, with minor amounts of gold and silver which add about 4% to the value of the copper produced. The mining rights to the claims carry a royalty of 2% of gross sales, payable to the original claim owners.

Additional potential reserves of some 107 million tonnes have been identified on the claim areas but have not been considered in the evaluation of MMC because these can be mined only if the plant installations are relocated. Such a project would entail a major capital investment, the justification of which has not been studied.

The plant facilities at Sipalay are designed to treat 35,000 tonnes/day (tpd). However some of the processing circuits are old and in disrepair, reducing the plant's potential capacity to around 25,000 tpd. At this rate, Sipalay's available ore reserves are sufficient for about nine years of production.

MMC also owns and operates a large power generation facility alongside its storage and pier facilities, all of which are located about 11 km from the plant, at Bulata. The Company rents office space in Makati for its headquarters operations.

C. EMPLOYMENT

Over 2,200 employees and workers are employed at the Sipalay site and another 150 at headquarters. Workers and their families at the

site are provided housing, education, medical and general community services by MMC.

The Company also has a profit-sharing agreement under which it agrees to pay a bonus to all employees if output exceeds 70 million tpa of copper and net income exceeds P150 million (US$5.4 million). The agreement also provides for MMC to pay out ten percent of all net income in excess of P200 million (US$7.1 million) per annum, to qualifying employees.

IV. ASSESSMENT OF CURRENT CONDITION

Sipalay's production presently is constrained by a shortage of mining and hauling equipment as well as spare parts for the plant. As a result, actual throughput has steadily declined from an average of over 26,000 tpd in 1988, to a present level of around 16,000 tpd. Production also will soon be limited by the availability of ore in the mine as a result of several years of "high-grading" which has left large volumes of waste material that need to be removed in order to expose minable ore.

MMC's mine and processing plant at Sipalay presently are operating inefficiently and uneconomically. At today's copper prices, the operation can just cover its production costs but cannot generate surplus cash to fund needed repairs and equipment replacement. Without outside funding and/or higher copper prices, the Company's mine and plant will continue to deteriorate and its operations become less efficient.

In spite of its inefficiencies, the Sipalay operation has managed to generate profits in recent years by "high-grading" ore from the mine. This practice has resulted in a large and growing overburden of waste, however, which soon will need to be removed at a substantial cost. Once this work begins, Sipalay will be producing less copper at a higher cost than today.

At its current throughput rate of around 16,000 tpd, Sipalay produces around 5.4 million pounds of payable copper monthly, on average, along with about 450 ounces of gold and minor amounts of silver which are sold as byproducts. The sales value of this output at current market prices is about US$5.6 million (P151 million equivalent).

Sipalay's cash production cost, net of byproduct credits, is projected by PAH to be about US$1.03/lb, on average, over the next six months. This cost includes a 5% mining tax charged on its gross sales and the 2% royalty. At today's copper prices, MMC will require outside financing to sustain operations at the present level. PAH estimates minimum capital investment requirements of P41 million (US$1.5 million) for the next six months.

MMC intends to continue "high-grading" the Sipalay mine in order to fund its immediate capital needs. This practice cannot be continued much longer, however, and soon the Company will require outside funding and/or help from increased copper prices. The privatization of MMC is intended to provide the Company with a new owner who can mobilize the capital resources required to restore Sipalay's output to potential capacity and lower its unit production costs to profitable levels.

V. ASSESSMENT OF OPERATING POTENTIAL

Given its high breakeven cost of production, Sipalay should produce the most amount of copper possible within its potential capacity in order to maximize output and thus minimize unit production costs. With lower costs, the Company can better ensure its survival during periods of low prices.

According to PAH's estimates, Sipalay could restore production to its potential capacity of 25,000 tpd with an initial investment of around P480 million (US$17.9 million). This investment is needed principally to replace mining and transport equipment (42%), restore spare parts inventories (17%), expand the tailings disposal system (23%), rehabilitate the crushing and grinding circuits (8%), and develop the mine (3%).

PAH estimates that Sipalay, operating at potential capacity, could increase copper output by around 30% to an average of 84.7 million pounds of payable copper per year over the next nine years. The increase in throughput volume and operating efficiencies resulting from the rehabilitation investments could reduce its average cost of production to the equivalent to US$0.93/lb (in present cost terms), including the 5% mining tax and 2% royalty. PAH believes that it is possible to reduce production costs even further through better mine planning.

Considering the age of Sipalay's plant facilities and the increasing uphaul distances from the mine over time, heavy ongoing capital investments will be required to maintain throughput at 25,000 tpd. PAH estimates a minimum yearly requirement of around P70 million (US$2.6 million), over the next six years, to adequately maintain the truck fleet, tailings systems, and plant. Beyond these yearly outlays, an additional P470 million (US$17.5 million) will be needed between 1994 and 1997, principally to replace haultrucks.

Even at potential capacity, Sipalay will be a high-cost producer compared to other copper mines in the world. This fundamentally is due to the low grade of copper in its reserves and the low value of byproducts in its copper ore. Sipalay's high cost of production provides it little margin, at expected copper prices, to internally fund the future investments necessary for maintaining its operations at potential capacity. Its high production cost will afford Sipalay's owners little downside protection against low copper prices and limited upside potential, unless copper prices rise.

Sipalay nonetheless could represent an interesting opportunity at the right price to an efficient operator who could improve mine production through pit optimization approaches and better planning.

Every 3 US cents saved on production costs, for example, would yield an additional P69 million (US$2.5 million) in annual profit, on average.

VI. VALUATION

A. METHODOLOGY

Considering that MMC is to be sold as a going concern, its operations have been valued based on cash generation potential. The present value of future cash flows generated by the Company's operations represents the value of the assets which generate such flows. The present value methodology is deemed to be the most appropriate to the sale of MMC, considering that it would probably be acquired by a single investor group which is likely to value its acquisition based on future returns on investment.

Valuation of MMC's assets should be based on their best potential use at the operating site. The value of the Company's existing assets will be maximized if additional investments can be made to rehabilitate the facilities, enhance production and minimize cash costs of production. Valuation thus has been based on PAH's investment and operating cost estimates for restoring Sipalay's operations to its potential capacity of 25,000 tpd.

The cash flows generated by the rehabilitated operations at Sipalay will yield a valuation of the Company's assets after the new investments have been made. Thus the present value of all new investments must be subtracted from the present value of the projected cash flows from the rehabilitated operation in order to arrive at the value of MMC's existing assets.

Once the value of MMC's existing assets has been estimated, the value of its equity can be determined by subtracting the value of its liabilities from the value of its assets. Considering that APT also wishes to sell the debts owed by the Company to the Philippine Government, these debts should be grouped together with its equity as a package for valuation purposes. The value of this package, comprising all APT's interests in the Company, is thus determined by subtracting the value of MMC's non-Government liabilities from the value of its existing assets.

Excluding MMC's Government debts, the Company owed P673 million (US$24.9 million) as of September 1991. The principal liabilities included:

- accrued taxes of P394 million (US$14.6 million);
- an outstanding advance from the Company's mineral trader of P42 million (US$1.6 million), and
- trade and other payables of P237 million (US$8.8 million)

B. ASSUMPTIONS

Future cash generation from Sipalay's operations will depend principally on the following four factors: (i) future copper prices, (ii) the investment expenditures required to rehabilitate and improve existing facilities, (iii) future copper production, and (iv) future operating costs. Considering the volatile nature of copper prices and the significant impact of price changes on the Company's cash generation, this factor can be expected to have the greatest impact on the value of APT's interests.

In a recent market study, The Outlook for Copper to the Year 2000 (April 1991), PAH predicts copper prices to remain near present levels over the next several years, reflecting a close balance expected between supply and demand. Beginning as early as 1995, however, copper supplies are expected to tighten, leading to higher prices. PAH believes that higher copper prices ultimately will be necessary in order to attract new capacity and increase supply.

APT should base Sipalay's valuation on a copper price of US$1.00/lb, which reflects the current medium-term price trend in the copper futures market. As of the date of this report, the current copper price is between US$1.00/lb - US$1.10/lb while the March 1993 copper future price is at around US$0.95/lb - US$1.00/lb. Conservative prospective investors are unlikely to assume prices which are much higher than US$1.00/lb.

With regard to assumptions regarding future investment expenditures, APT should use the estimates made by PAH for rehabilitating and restoring the Sipalay operations to 25,000 tpd. An initial investment outlay of around P480 million (US$17.7 million) should be assumed, followed by yearly expenditures of around P70 million (US$2.6 million) to maintain output at this level, and including another P480 million (US$17.6 million) between 1994-1997 to build a new tailings dam and replace the ore hauling fleet. A residual value of around P140 million (US$5.2 million) is assumed at the end of the year 2000.

Projected copper production and operating costs at an operating rate of 25,000 tpd have been projected by PAH in the Evaluation Report. Copper output, as shown in Appendix A, will vary from year to year based on the grades of the ore being mined. The cash cost of production is estimated to be US$0.93/lb, on average, net of byproduct credits. A production life of nine years based on available reserves should be assumed even though more production may be possible if the processing plant is moved.

The above assumptions for investment expenditures, copper output and operating costs are considered to be achievable by an efficient operator, in PAH's opinion. A valuation using the "base case" assumptions thus would be fair in that it is realizable and yet

allows new investors upside potential from higher copper prices and/or further improvements in production efficiency.

C. PROJECTED CASH FLOWS

At an assumed copper price of US$1.00/lb, Sipalay would generate an annual cash flow of around P160 million (US$5.9 million), on average. Projected operating cash flows at various copper prices ranging between US$0.90/lb and US$1.20/lb are shown in Appendix A. Projected initial and ongoing investment outflows also are shown.

The attached cash flow projections highlight the high sensitivity of Sipalay's operating cash flows, and thus valuation, to copper prices. Each 10 US cent/lb variation in price represents a change in annual cash flow of about P230 million (US$8.5 million), on average.

D. DISCOUNT RATES

The appropriate discount rate to use in valuing Sipalay's projected cash flows should reflect the risks involved in achieving these cash flows. While the base case assumptions used above may be realistic and achievable, the historic volatility of copper prices and the uncertainty involved in attaining the assumed output and production cost levels are likely to represent significant risks to prospective investors.

Non-operating risks, such as political and economic risks, also will be factored significantly into the discount rate by prospective acquirors. Perhaps among the most important of these is the possibility of a continuing lag in the devaluation of the peso vis-a-vis US dollar, which would result in a gradual squeezing of profit margins and cash flows.

The discount rates which prospective investors will apply to evaluate Sipalay are likely to be in the 15% to 25% range considering the sizeable investments that are required and the risks described above. Since projected cash flows are pre-tax and in constant price terms, the discount rate to be used also should be a pre-tax and constant-price rate. APT should use the average rate of 20% for valuing Sipalay's profit flows under the base assumptions listed above.

Projected investment outflows, however, should be discounted at a lesser rate considering that these estimates are less uncertain than the projections of operating cash flows. A 10% rate, representing an opportunity cost of capital, would be fair for this purpose.

E. GOING CONCERN VALUE

Using the base case assumptions and discount rates recommended above, the valuation for MMC's existing assets, as employed in the Sipalay operation, would be as follows (in million Pesos):

	at a Copper Price of US$1.00/lb	US$1.10/lb
Value of Rehabilitated Assets	760	1,700
less: Value of Capital Expenditures	960	960
Value of Existing Assets	(200)	740

PAH in their Evaluation Report, estimated the value of Sipalay's assets to be P28 million (US$1 million) at a copper price of US$1.00/lb and a discount rate of 20% applied to both operating cash inflows and investment outflows. The difference in valuation reflects the discounting of future investment outflows at a higher rate but also a lower assumed residual value.

To determine the value of the package of equity and Government debt to be sold by APT, the value of MMC's non-Government liabilities must be subtracted from the estimated value of the Company's assets. Using the value of MMC's liabilities as of September 1991, the resulting values of the package to be sold by APT are shown below (in million Pesos):

	at a Copper Price of US$1.00/lb	US$1.10/lb
Value of Existing Assets	(200)	740
less: Non-Gov't. Liabilities	670	670
Value of Equity & Non-Gov't. Debt	(870)	70

The above analysis indicates that the value of APT's interests in MMC if sold as a going concern is little to negative, unless copper prices which are higher than US$1.09/lb are assumed. The reason for the low valuation fundamentally lies in the low grade of Sipalay's reserves and lack of significant byproducts.

A higher financial value for MMC than the one derived above might well be achieved through a sale of the Company's assets under liquidation. Such a value however would exclude consideration of the important socio-economic values generated by the ongoing operations at Sipalay. To preserve these benefits, APT may wish to consider selling its interests at a value which is below that which it could alternatively realize under a liquidation of the Company.

In addition to valuing MMC by discounting projected cash flows, PAH also estimated its value based on prices recently paid for copper properties in other parts of the world. Based on the median acquisition cost paid per pound of recoverable copper in 63 transactions during 1989-90, Sipalay's reserves and facilities would be valued at around P290 million (US$10.7 million). This value however is still less than the value of MMC's non-Government liabilities, implying a negative value of APT's interests.

Although the above valuation estimates suggest that it may be difficult to sell MMC as a going concern, APT should nonetheless attempt to sell the Company as such in an effort to preserve the employment and other socio-economic benefits generated by its ongoing operation. Prospective investors who are bullish on copper and/or interested in the additional ore potential which lies beneath the present location of the processing plant may take an interest in buying the Company at the right price.

F. LIQUIDATION VALUE

The liquidation value of MMC should serve as a reference point for determining the sales price of APT's interests. This is because the acquiror of these interests will have the option of closing down the Company and selling off its assets. If APT sells its interests at below liquidation value, this could create an incentive for the investor to liquidate the Company in order to make a quick profit.

MMC's physical assets were recently appraised by Asian Appraisers. Although the appraisers attempted to take into account the market values of these assets, the resulting estimates are highly uncertain due to a lack of comparable transactions in the local market. APT should take into account that the values estimated by Asian Appraisers may be difficult to realize within a short time frame, due to the thinness of the local market.

In addition to physical assets, the Company has cash and receivables which will have a liquidation value. An estimate of the value of APT's interests, based on liquidation, is as follows (in million Pesos):

Cash	21
Acts. Receivable (1)	323
Inventories (2)	243
Fixed Assets (3)	766
Total Assets	1,353
Current Liabs. (1)	632
Trader Advance (1)	42
Separation Pay (4)	80
Total Non-Gov't. Liabs.	754

Value APT Interests	599
less: Closing Costs (5)	101
Net Liquid. Value	498

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(1) Based on balances as of September 30, 1991.
(2) As appraised by Asian, net of obsolete items.
(3) As appraised by Asian, excluding land, buildings, and improvements.
(4) As estimated by MMC management.
(5) Equivalent to 10% of value of inventories plus fixed assets.

The above estimate of around P500 million (US$18.5 million) is a cash equivalent value. APT may choose to discount this estimate further to consider the risk of realizing lower values in the market than those estimated above and to account for the amount of time which may be required to liquidate and receive payment.

In view of the poor condition of the Sipalay facilities and the high cost of production, APT should expect that prospective investors may be unlikely to bid a price which approaches the liquidation value estimated above. While APT should perhaps be willing to sell at a price which is below this value in the interest of preserving the socio-economic value of the going concern, it should consider that it may be able to realize a value which approaches the above estimate through liquidation if it is concerned with maximizing sales proceeds.

APT may wish to use the above estimated liquidation value as an "indicative price" in its invitation for bids. Lower bid prices may be acceptable given proper assurances by the acquiror of sustaining the ongoing operation at Sipalay. The best indication of such an assurance would be a commitment by the acquiror to make a significant investment of capital in the Company to rehabilitate its operations.

VII. PRIVATIZATION OPTIONS

A. BASIC METHODS

The following options for privatizing MMC can be considered by APT:

- sale of existing shares;
- dilution through sale of new share issue;
- bulk sale of Sipalay's assets as an ongoing operation,
- independent sales of MMC's claims and assets through liquidation

The approaches of privatizing MMC through either a public offering of MMC's shares or a management buyout are probably unviable. The option of leasing Sipalay's assets and operations to a private operator is undesirable due to its inadequacies in (i) addressing the need for new capital to ensure ongoing operations, and (ii) moving ownership out of the hands of the Philippine government.

B. SALE OF EXISTING SHARES

This approach involves the sale of all or a majority of MMC's existing shares together with the Government owed debt held by APT to either a single buyer or a small group of private investors. This approach would ensure the sale of MMC as a going concern but would not provide for new capital to be invested in the Company. New investment would be up to the discretion of the buyer.

A sale of MMC's existing shares offers the advantages of expediency for the seller and flexibility for potential buyers. Considering APT's preference to sell MMC as a going concern, this approach may be the most desirable for APT.

To ensure that new capital is invested in the Company, APT could make it a condition of sale that the acquiror commit to subscribe a new issue of shares, the amount of which can be determined by APT.

C. SALE OF NEW SHARES

Dilution through a sale of new shares to private investors who would become majority owners in the process will automatically ensure new capital for MMC. As part of the process, APT could either retain its existing shares for a later sale or include the sale of its shares as part of the privatization.

APT should retain its shares if it believes the shares will rise in value at a later date, perhaps as a result of new ownership and new capital to rehabilitate existing operations. Retainership of the shares would carry substantial business risks, however, and require regular supervision by some government agency. APT also should consider that since the Company's shares are not listed in the public markets, divestment of APT's shares at a later date may not be quick or easy.

Privatization through dilution would require APT to complete the process of increasing the authorized capital of MMC, which could be a lengthy process and delay privatization. For this reason alone, it may not be the preferred option.

D. BULK SALE OF ASSETS

This approach involves the sale of MMC's assets in a package and as an ongoing operation. It is an attractive process from a buyer's viewpoint in that it provides the buyer an opportunity to restructure existing operations and avoid unwanted and contingent liabilities which may be carried by the going concern.

MMC assets to be included in a bulk sale should be all those directly related to its operations, including its mining claims, plant facilities, all equipment, installations and working capital. The Company's non-Government liabilities could be assumed by the acquiror as a condition of the sale. Government owed debts would be retained by MMC and covered (perhaps only partially), with the proceeds from the sale.

APT's concerns regarding the survivability of ongoing operations at Sipalay can be addressed through a condition of the sale requiring the new owner to make a minimum capital investment in the operations. The amount should be significant enough to ensure a commitment by the acquiror to continue operations.

This process provides a high degree of flexibility to both the seller and the buyer for negotiating a transfer of Sipalay's operations and for this reason should have good chances of success. However, this process requires the consent of all the Company's creditors which could be difficult to obtain in a reasonable time period. APT nonetheless should consider this option if privatization efforts through the sale of its existing shares prove to be unsuccessful.

E. LIQUIDATION SALE

This approach may generate the greatest sales proceeds for APT, considering that the value of MMC as a going concern is expected to be little to zero. Because the socio-economic cost of closing the Sipalay operation is considerable, however, this approach should be taken only as a last resort once other options involving

a transfer of the Company as a going concern have failed to produce a suitable owner and a satisfactory price.

Before considering liquidation, APT also should take into account the high degree of uncertainty regarding the feasibility of selling the Company's physical assets in view of the special nature of many of these assets and the limited local market for such assets.

VIII. RECOMMENDED STRATEGY

A. PROCESS

Considering its preference to sell MMC as a going concern, APT should first attempt to privatize the Company via a sale of existing shares. APT also include all the Government-owed debts of MMC for sale together with its shares as a single package. By including the Government-owed debts, APT will permit the acquiror to reschedule, write-down and/or convert these debts into equity. Once the acquiror has financially restructured the Company, it will be in better position to borrow in order to rehabilitate its operations.

It would be advisable for APT to sell all its shares in MMC considering the high risks and supervision costs associated with a retained equity exposure. A complete divestment of Government interests probably will be preferred by a new private acquiror.

Although MMC already has been let out to bid unsuccessfully thus allowing a privately negotiated sale, APT nonetheless has expressed a preference to conduct the intended sale via another public invitation to bid. The invitation should be well publicized and marketed internationally as well as locally, considering that several foreign mining companies are known to maintain active interests in acquiring copper properties around the world.

Given the urgent capital investment needs of the Company, the bid date should be set as early as possible. Sufficient time should be allotted, however, for prospective foreign investors to adequately study a potential acquisition of MMC and obtain internal approvals. About 3-4 months will be needed for this purpose.

APT should make every effort to sustain ongoing operations at Sipalay during the marketing period. This will preserve the value of its interests and enhance the probabilities of successfully selling the Company as a going concern.

Should interest in acquiring the Company fail to materialize by the indicated bid date, APT then should consider a bulk sale of MMC's assets to any party which may have expressed interest in acquiring the Company or its assets. Though APT should still try to sell MMC as a going concern, a bulk sale will provide prospective acquirors an added degree of flexibility to restructure the operations and shed unwanted contingent liabilities.

B. TERMS OF SALE

APT should establish a reference sales price tied to the estimated liquidation value of MMC's assets considering that it itself or a

new owner could realize this value simply by closing the Company and auctioning its physical assets. As estimated above, the reference value would be around P500 million (US$18.5 million) as measured in cash equivalency.

APT may also wish to establish a minimum acceptable bid price, or floor price, to use to reject low bids. The floor price should be somewhat lower than the reference price, taking into account the risks and trouble of going through the alternative process of liquidation. A discount of at least 10%-20% from the reference price should be applied to arrive at an appropriate floor price. APT would be well advised to not inform the public of its floor price level, however, to allow it flexibility in selecting lower bids from well-intentioned, highly qualified bidders if it so desires.

In the interest of broadening the market of potential acquirors, APT should offer sales terms which are flexible and attractive. APT should require a minimum payment in the form of cash, but also accept as payment National Government Debt (NGD) and promissory notes to be issued by the acquiror (PN). Payment with NGD could attract the interest of foreign banks which hold Philippine debt by providing them flexibility in booking the swap of Philippine debt for the investment in MMC. All PN taken as partial payment should be secured by a mortgage on existing fixed assets as well by a pledge of the MMC shares being sold to protect APT against sales of these assets and shares by the acquiror prior to repayment of the PN.

APT may wish to structure the repayment terms of the PN such that the present value of future note payments would be equivalent to the present value of NGD. This would simplify the process for selecting the preferred bid among those which offer differing proportions of payments in cash, NGD and PN.

For example, if the PN are to be payable in equal semi-annual (or even quarterly) installments over a five year period after one year of grace (i.e. six years in total) and a discount rate of 20% per annum is to be applied to future note payments, then the present value of the PN would be equal to about 55% of the sum total of future installments. This present value closely approximates the ratio of cash value/face value of NGD in today's secondary markets. Thus APT could be indifferent between accepting payment in NGD and PN, assuming that the 20% discount rate adequately reflects the risks associated with future PN payments by the acquiror.

APT might consider structuring the bids for its equity and loan interests in MMC as follows:

10% payment in the form of Cash
30% payment in the form of NGD
60% payment in the form of PN.

Under such a structure, APT would establish the nominal reference price by dividing the cash equivalent bid value by 0.595 (according to algebraic derivation), assuming a 55% cash equivalent value for NGD and a 55% cash equivalent value for PN. Thus for a cash equivalent bid price of P500 million, the corresponding nominal reference price would be around P840 million (US$31.1 million), payable as follows:

	Nominal Value	Cash Value
10% Cash	84	84
30% NGD	252	139
60% PN	504	277
Total	840	500

To ensure the survivability of MMC as a going concern, APT should require a fresh capital investment into the Company by the acquiror as a condition of sale. This capital investment could be made in the form of a commitment to subscribe a new issue of MMC shares, make a subordinated loan to the Company, or provide capital through a combination of new equity and subordinated loans.

The amount of new capital to be required of the acquiror should be enough to cover a significant proportion of the initial investment requirement for a rehabilitation of the Sipalay operations. APT should consider requiring at least one-third of this amount, or P160 million (US$5.9 million), based on PAH's estimate. Additional amounts of financing needed to complete rehabilitation might be obtained by the acquiror through new borrowings, assuming that existing Government-owed debts are either subordinated or converted into equity by MMC's new owner.

C. MARKETING

In view of MMC's poor operating and financial condition, the sale of APT's interests in the Company should be broadly promoted. Efforts to sell the Company should focus on its long-term operating potential, as discussed above. Investors with the technical and financial capabilities to develop this potential should be identified and approached regarding the opportunity to acquire MMC.

An information memorandum describing the Company, its operations and its potential should be prepared and distributed to prospective local and foreign investors. APT also should prepare and distribute with the information memorandum a draft term sheet describing the general terms and conditions of the proposed sale of its interests in MMC.

At APT's request, IPG has prepared a draft information memorandum

for such purpose which is included in Appendix B. APT should review the draft memorandum and approve it for distribution to selected prospective investors. APT should work closely with local legal counsel in drafting a term sheet to attach to the memorandum. Suggested terms for the term sheet have been generally described above.

IPG also has compiled a list of prospective investors with assistance from PAH. The list, included in Appendix C, includes five Filipino mining companies, twenty foreign mining companies, six foreign copper smelting and refining companies, five mineral trading companies and two international banks with significant Philippine debt exposure and successful experience in completing debt/debt and debt/equity swaps. APT should select those names on the list which it approves for distribution of the information memorandum.

In addition to marketing MMC to targeted prospective investors, APT should announce its intention to privatize the Company to the general public in the interest of attracting the largest number of prospective investors possible. An advertisement should be published in local dailies as well as foreign newspapers and journals. IPG has suggested the Metal Bulletin, the Mining Journal, and the Asian Wall Street Journal as foreign publications which would be suitable for this purpose. A draft announcement for publication has been drafted by IPG and is included in Appendix D.

Prospective investors expressing interest in MMC should be invited to visit the Company and its operations and to conduct due diligence reviews. To ensure that all interested prospective investors receive the same set of information on which to base their analysis, MMC should prepare a formal information book containing detailed historical operating and cost data as well as descriptive information regarding the Company's reserves and physical assets. This task should be formally assigned by MMC management as soon as the information memorandum is distributed.

APPENDIX A

MARICALUM MINING CORPORATION

Financial Projections
(Pesos, MM)

Exchange Rate = 27 Pesos/US$1.00

	1992	1993	1994	1995	1996	1997	1998	1999	2000
Payable Copper Produced (MM lbs)	86.81	92.83	88.97	86.81	81.25	86.03	77.85	78.16	83.41
Cash Flows @ $1.00/lb Copper:									
Gross Revenues (incl. Au & Ag)	2,443	2,612	2,504	2,443	2,286	2,421	2,191	2,199	2,347
Mining Taxes	(91)	(97)	(93)	(91)	(85)	(90)	(81)	(81)	(87)
Freight, Smelting & Refining	(633)	(677)	(649)	(633)	(592)	(627)	(568)	(567)	(608)
Cash Operating Costs	(1,505)	(1,524)	(1,541)	(1,558)	(1,575)	(1,594)	(1,574)	(1,351)	(1,276)
Cash Generated by Operations	215	314	221	161	35	110	(32)	200	376
Capital Investments	479	70	213	70	238	235	57	16	(143)
Net Cash Flows	(264)	244	8	91	(203)	(125)	(89)	183	519

Present Value of Cash Generation:	
@ 15% =	887
@ 20% =	764
@ 25% =	669

Present Value of Capital Investments:	
@ 10% =	953

APPENDIX A

MARICALUM MINING CORPORATION
SENSITIVITY ANALYSIS
Financial Projections
(Pesos, MM)

Cash Flows @ $1.10/lb Copper:

	1992	1993	1994	1995	1996	1997	1998	1999	2000
Cash Generated by Operations	449	535	461	395	254	343	178	411	602

Present Value of Cash Generation:

@ 15% =	1,894
@ 20% =	1,703
@ 25% =	1,479

Exchange Rate = 27 Pesos/US$1.00

Cash Flows @ $1.20/lb Copper:

	1992	1993	1994	1995	1996	1997	1998	1999	2000
Cash Generated by Operations	683	816	702	630	473	575	388	622	827

Present Value of Cash Generation:

@ 15% =	3,100
@ 20% =	2,641
@ 25% =	2,288

Exchange Rate = 27 Pesos/US$1.00

Cash Flows @ $0.90/lb Copper:

	1992	1993	1994	1995	1996	1997	1998	1999	2000
Cash Generated by Operations	(20)	64	(19)	(73)	(185)	(122)	(242)	(12)	151

Present Value of Cash Generation:

@ 15% =	(220)
@ 20% =	(175)
@ 25% =	(140)

Exchange Rate = 27 Pesos/US$1.00

APPENDIX A

MARICALUM MINING CORPORATION
VALUES OF EXISTING ASSETS
(Pesos, MM)

Discount Rates	@ Copper Price of:			
	US$0.90	US$1.00	US$1.10	US$1.20
15%	(1,178)	(71)	1,036	2,143
20%	(1,132)	(194)	745	1,684
25%	(1,097)	(288)	521	1,331

APPENDIX B

REPUBLIC OF THE PHILIPPINES

MARICALUM MINING CORPORATION

INFORMATION MEMORANDUM

I. INTRODUCTION

The Asset Privatization Trust (APT) is an official agency of the Philippine Government charged with the custody, conservation, provisional management and eventual disposition of assets, including the equity of and receivables from several corporations, which it holds in trust on behalf of the Philippine Government. APT is supervised by the Committee on Privatization (COP), which is responsible for the formulation and implementation of the Philippine Government's privatization program.

APT directly and indirectly owns 100% of the equity of and is the major creditor of Maricalum Mining Corporation (MMC, the Company), a copper mining company with operations on the southwestern part of the island of Negros. APT and COP have decided to offer APT's equity and credit interests in the Company for sale and intend to invite interested parties to participate in an open bid for the acquisition of MMC, to be held in late February 1992.

The purpose of this memorandum is to provide basic information regarding the MMC's operations to assist potentially interested parties in assessing their interest in participating in the intended bid process.

The information provided in this memorandum is based on financial and operating data maintained and provided by MMC. APT makes no representations or warranties regarding the accuracy, completeness and reliability of the information contained in this memorandum and advises all interested parties to conduct their own due diligence reviews and investigations on MMC, its financial condition and operations and on applicable Philippine laws, rules and regulations prior to participating in the bid process.

All parties which may have an interest in participating in the bid process are asked to express such interest in writing to APT as early as possible. Upon receipt of such written expression of interest, APT will invite each interested party to visit the Company's operations, interview its staff and inspect its records.

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Interested parties are asked to direct all inquiries to:

Mr. Felipe Bince, Jr.
Associate Executive Trustee
Asset Privatization Trust
8747 Paseo de Roxas, 10th Floor
Makati, Metro Manila
Philippines

Tel: (632) 818-4733
Fax: (632) 818-4591

II. THE COMPANY

A. HISTORY

MMC's mining and processing facilities at Sipalay (Negros Occidental) originally were owned by the Marinduque Mining and Industrial Corporation (MMIC), a widely-held Filipino company, which had operated these since 1956.

In 1984, MMIC was foreclosed by its principal creditors, Philippine National Bank and Development Bank of the Philippines. In that same year, MMC was formed to assume ownership of the Sipalay operations. As part of the reorganization, a portion of MMIC's debts were assigned to MMC.

The Sipalay operations were closed in 1983, while MMIC's operations were being foreclosed and reorganized. Operations were resumed by MMC in 1985.

B. PROPERTY LOCATION AND DESCRIPTION

MMC's mining site is located along the southwestern coast of the island of Negros, near the municipality of Sipalay. The property is accessible from Bacolod City by road along a distance of about 170 km, and by small plane. Travel time is about 4 hours by road, or 45 minutes by plane. About half of the distance by land is paved and the remainder is well-maintained gravel surface. A project location map is provided in Figure 1.

The countryside surrounding the mine consists of gentle-to steep-sided hills and narrow, irregular ridges rising to elevations in the range of 200 to 400 meters. Such hills are usually barren or with sparse forest growth. The Taoangan River, which is the main

drainage structure, flows from north to south through wide, flat ricelands until it joins the Sipalay River emptying into the Sulu Sea at the town of Sipalay.

The mine itself is adjacent to the Municipality of Sipalay, a community of about 23,000 residents who are mostly dependents of mine employees. Farmers, fishermen and local tribesmen whose business is mainly related to the activities of the mine also inhabit the vicinity. Sugar cane, coconut, corn and rice are the principal crops grown in the area.

C. MINING CLAIMS

MMC operates mining claims covering a total area of about 3,130 hectares. The claims are owned by Sipalay Copper Mining Company, Inc. which transferred exploitation rights to MMIC. In July 1985, these rights were conveyed to MMC, in substitution of MMIC. Terms of the conveyance agreement provide a royalty payable by MMC to the claim holders, equivalent to two percent of gross sales.

Most of MMC's claims are under application for Mineral Production Sharing Agreement (MPSA) with the Mines and Geosciences Bureau of the Philippine Department of Environment and Natural Resources. Once the application process is finalized, mineral exploitation from these claims will be subject to a mining levy of about 2% of gross mining revenues plus 10% of net mining revenues (i.e. after operating expenses, depreciation and investment allowances). Until the MPSA is finalized, MMC is subject to a 5% mining tax on its net revenues (net of treatment and refining charges).

D. FINANCIAL CONDITION

The mining equipment and processing plant which MMC took over in 1984, is old and in need of major rehabilitation. The Company was not provided the necessary capital at the outset to properly repair and replace old equipment and as a result its operations require high maintenance costs.

In addition, MMC has been paying down an advance provided by Marubeni Corporation (Japan), its mineral trader, from the proceeds of its concentrate shipments at a rate of around Pesos 6-9 million (US$0.2-0.3 million) monthly. The Company's high maintenance and debt servicing costs have seriously limited its ability to rehabilitate its physical capacity and restore efficiency to its operations. As a result, capacity utilization has averaged only around 60% and development of the mine has been deferred.

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Though the Company's mine reserves contain potentially economic ore grades at today's copper prices, its total cash cost of production is near break-even levels. Ore reserves contain only minor amounts of gold and insignificant quantities of silver and thus MMC gets little help from byproduct credits. Total cash cost is estimated at around US$1.03/lb, including byproduct credits of 3 cents/lb, mining taxes, royalty payments, and treatment, refining and transportation charges. With monthly production at 5.7 million pounds of payable copper on average, MMC generates barely enough cash to maintain its basic operating equipment.

MMC's outstanding debts owed to the Philippine Government amount to Pesos 3,251.4 million (approximately US$120 million). The Government has ceased to assess interest on these debts and payments of principal have not yet been rescheduled.

The advance provided by Marubeni to MMC includes a mortgage over certain machineries and equipment of MMC. By September 1991, the Company had reduced the remaining balance of the advance to about Pesos 42 million (US$1.6 million). Summary financial statements for MMC covering the past three years and the first eight months of 1991 are provided in the attached Appendix. The statements do not include an unfunded contingent liability of approximately Pesos 80 million (US$3 million) for employee severance benefits, as estimated by MMC management.

The Company presently is in need of major capital investments to rehabilitate its plant and mine equipment and catch up on deferred stripping in the mine. Because of plans to privatize the Company, however, it is not in a position to obtain additional borrowings and the Philippine Government, as owner, is unable to inject additional capital. Without a new owner who has the financial capabilities to rehabilitate its operations, the Company's physical capacity and financial position will continue to deteriorate unless copper prices improve substantially.

III. OPERATIONS

A. GEOLOGY AND RESERVES

The Sipalay orebody contains metavolcanic rocks of basaltic to andesitic composition. These rocks are intruded by a multiphase diorite stock which in turn is intruded by dacite porphyry. Most copper mineralization occurs within the dacite porphyry and metavolcanic rocks. The highest grades appear to occur near the contact between the two rock types. High grade ore is associated

with dacite porphyry which has been altered to sericite-clay-chlorite and biotite with stockwork quartz veining. Grades of up to 5 percent copper have been encountered in veins within faults.

Three orebodies, known as the Cansibit, Binulig and Baclao deposits, have been identified on the Sipalay property. The Binulig and Cansibit orebodies join at depth, and both are now referred to as the Cansibit orebody. A geologic map of the Cansibit Pit area is shown in Figure 2.

The dimensions of the orebody in plan are 1,400 by 400 meters. It extends to a depth of approximately 400 meters at the east end of the deposit, and is open at depths of more than 800 meters at the west end. The main, central part of the orebody has near-vertical sides with excellent grade continuity within this boundary. Horizontal apophyses extend outward from the vertical boundary producing a marginal zone with discontinuous grades.

Geologic data compiled by MMC staff on the Sipalay ore deposit are based on 245 drill holes. Resource estimates based on a conventional polygon method are as follows:

Cutoff Grade	Tonnes (MM)	Copper Grade
0.30	385.0	0.514
0.25	455.1	0.476

An open pit design, called the Eleven Year Plan, has been developed by MMC engineers based on the reserves remaining within the current pit rim. Although additional reserves have been identified beyond the rim, relocation of the existing plant facilities would be required in order to mine these reserves. A pit design incorporating these additional reserves, called the Big Pit, also has been developed.

Minable reserves remaining included in the Eleven Year Plan, projected to December 1991, are estimated to be as follows:

MMC - Eleven Year Plan
Remaining Minable Reserves

	0.20% TCu	0.25% TCu	0.30% TCu
Ore Tonnage (DMT,MM)	101.32	93.18	85.58
Avg. Mine Grade (% TCu)	0.493	0.519	0.548
Waste Tonnage (DMT,MM)	167.66	175.80	183.41
Waste:Ore Ratio	1.66:1	1.89:1	2.14:1

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Drill holes near the northeast rim of the Cansibit pit show significant near-surface copper mineralization. One of the drill holes contains 120 meters at 0.544% copper overlain by only 24 meters of waste. The mineralized interval includes 12 meters at 1.07% copper. The area shows good potential to develop additional reserves, though a bordering river would have to be diverted.

Average gold content in the ore is 0.02 grams/tonne. At the southeast end of the pit, gold grades are reported to be 0.2 to 0.4 grams/tonne.

The Baclao deposit, located three kilometers north-northwest of the Cansibit pit, has been explored with 43 diamond drill holes. A polygonal estimate of geologic resources indicates 56 million tonnes at 0.413% copper at a cutoff grade of 0.20%. However the mineralization is more discontinuous than the ore in the Cansibit deposit. The deposit is considered to be uneconomic at current copper prices, but could become economic in the future.

B. MINING AND MILLING OPERATIONS

A layout drawing of the Sipalay mine site is provided in Figure 3. Mine and mill production for the past three years and first six months of 1991, is summarized below.

MMC - Sipalay Mine
Historic Mine and Mill Production

Year	Ore Mined (T,MM)	Ore Grade (%TCu)	Waste Mined (T,MM)	Ore Milled (T,MM)	Ore Grade (%TCu)	Cu Recov. (%)	Conc. Prod. (T,000)
1988	9.52	0.50	8.33	9.60	0.47	86.6	135.5
1989	7.50	0.52	10.94	7.52	0.47	85.8	120.7
1990	6.55	0.66	11.47	6.31	0.61	88.4	134.6
1991 (10 mos.)	5.25	0.65	7.23	4.91	0.61	87.9	98.5

The Sipalay mine is a typical large open pit copper mine with the mining functions of drilling with large rotary blast hole drills, blasting with slurry explosives due to wet conditions, loading

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with electric cable shovels and haulage out of the pit using 100 and 120 ton electric wheel trucks. The current equipment fleet is aging and not well maintained due to lack of spare parts. The existing equipment fleet is described in the table below.

MMC - Sipalay Mine
Major Open Pit Equipment

No. in Fleet	Equipment Type	Size	Physical Availability 1990	1989
3	Marion M4 B.hole Drills	12-1/4"	60%	45%
1	Reich Drill T-750	9"	22%	15%
3	P&H 2100 BL Shovels	17 cu yd	70%	71%
3	Marion 191M Shovels	17 cu yd	46%	49%
1	P&H 1600E Shovel	8 cu yd	62%	57%
22	WABCO Haul Trucks	120 ton	43%	46%
6	Dresser 445E HaulPak Trucks		71%	-
27	Unit Rig M-100 Haul Trucks		38%	49%
1	Eculid R-100 Haul Trucks		38%	43%
2	Wheel Loaders	5-15 cu yd	17%	11%
16	Tracked Dozers		42%	55%
3	CAT 824C Rubber Tired Dozers		21%	36%
3	16G Graders		53%	49%

APPENDIX B

The current pit is over 250 meters deep and is planned to reach an ultimate depth of 400 meters inside of the Eleven Year Pit design. The increasing vertical lifts and haul distances over time will necessitate the purchase of additional trucks as well as new trucks to replace some of the older units. MMC has budgeted 17 new haul trucks for purchase during 1992-1997.

Dewatering of the pit is carried out using a series of in-pit pumps that currently pump an average of 5,000 to 8,000 gallons per minute. The Taoangan River has been diverted around the northern side of the pit. As the current pit is expanded to the north, the river will need to be diverted further.

Declining fleet availability has resulted in declining mine production, which in 1991 is around 17% below the average of the previous three years. Reduced production in turn has caused increased mining costs on a unit basis. Total mining costs during the first six months of 1991, have averaged US$1.044 per tonne of material (ore plus waste) mined, representing a 29% increase over an average cost of US$0.811/tonne recorded in 1988.

The ore processing facility at Sipalay consists of a 35,000 tpd capacity copper flotation concentrator. The plant has undergone several expansions over the years and thus part of the installations are old and inefficient while other parts are relatively modern. Excluding the old grinding and flotation facilities, the plant has a capacity of 25,000 tpd.

The plant operated at around 25,600 tpd from 1986 to 1988, but production has fallen since then to rates which have varied between 15,000 to 21,000 tpd. The grade of ore is generally about 0.5% copper and recovery is around 86%. Concentrates produced contain grades of about 25% copper, 2 grams per tonne of gold, and 59 grams per tonne of silver.

The design of the copper concentrator is conventional, incorporating primary crushing, single-stage ball milling, rougher/scavenger flotation with regrinding of rougher concentrates, two stages of flotation cleaning, and thickening and filtering of the final concentrates. Primary plant equipment includes:

i) two parallel 1.2 x 1.5 meter double-toggle jaw crushers (selected to treat sticky ore), with a capacity to crush 1,500 tonnes per hour;

ii) three parallel washing circuits including 3.0 x 6.0 meter washing drums;

iii) three parallel (one 1.7 meter and two 2.1 meter) standard cone crushers;

iv) six parallel 2.1 meter shorthead cone crushers;

v) four operational single-stage ball mills (two of 5.0 x 8.0 meters each driven by 3,600 kW motors; one 4.3 x 5.5 meters driven by a 1,300 kW motor and one 5.0 x 6.7 meters driven by a 3,000 kW motor) plus four non-operational mills of 3.04 x 2.7 meters driven by 520 kW motors;

vi) four rougher/scavenger flotation banks (three for ground ore and one for slimes);

vii) three parallel regrind mills consisting of 2.6 x 2.7 meter units driven by 260 kW motors;

viii) two parallel 12 meter diameter thickners for concentrate flows;

ix) an extensive molybdenum flotation circuit complete with thickners, a regrind system and concentrate filter with concentrator which has not been used in several years;

x) three parallel sets of slurry pumping units, two with one pump each driven by 520 kW motors and the third set with 2 pumps in series each drive by a 370 kW motor.

Tailings are placed in a pond covering an area of about 160 hectares. One side of the enclosure is formed by hills and the other three sides by waste rock which is added at a rate of about 1,800 tonnes per day. The pond is projected to have sufficient capacity to last until September 1994. Work on a new pond will begin in 1993.

Ancillary facilities associated with ore processing include an office/laboratory building with offices for the mill staff, a metallurgical testwork laboratory, and a sample preparation / assaying laboratory.

Although production by the concentrator plant rose slightly from 1986 to 1988, copper production fell gradually due to declining ore grades. From 1989 to the present time, ore tonnage has decreased due to a shortage of ore feed from the mine. Copper output, however, has been maintained with higher grade ore taken from the mine. At the present throughput rate, total processing costs average about US$3.50 per tonne of ore.

Concentrates produced by the plant are trucked by a contractor in highway dump trucks of about 15 tonne capacity to the company-owned dock at Bulata Pier, a distance of 14 kilometers. A concentrate storage building and conveyor loadout system at the pier is used for temporary storage of concentrates prior to shipment and loading of ships. The dock can handle ships of up to 25,000 tonne capacity and the conveyor load-out rate to the ships is 300 tonnes per hour.

The Sipalay mine operation is a well-established and well-organized operation that has been fine tuned over 30 years of experience. The plant is well laid out and relatively easy to maintain and operate. Nonetheless, major improvements in efficiency and unit operating costs can be achieved through modest expenditures of capital and by pit optimization through computer modeling.

C. INFRASTRUCTURE AND ADMINISTRATION

MMC employs approximately 2,200 people at the minesite and another 150 at headquarters in Makati, Manila. Workers at the minesite and employees at head office are unionized. The Company maintains a profit-sharing agreement with its employees under which it agrees to pay a bonus to all employees if output exceeds 70 million tonnes per annum of copper and net income exceeds Pesos 150 million (US$5.5 million). The agreement also provides for the Company to pay out 10% of all net income in excess of Pesos 200 million (US$7.4 million) per annum to qualifying employees.

Headquarters offices in Makati are leased. The Company has its own airstrip at the minesite and its own aircraft, a six-seater single engine plane. At its present low production rate, MMC's general and administrative costs average about US$0.45 per tonne of processed ore.

Power at the Sipalay site is provided by MMC's own power generation facilities with a total installed capacity of 58 kW. Average power load currently is about 20 MW. With the plant operating at 25,000 tonnes per day the average power load would be about 40% higher. About 75% of the power generated is used by the ore processing plant; about 15% by the mine, and about 5% each by the power plant auxiliaries and the community facilities.

Most of the power is generated by one large 30 MW output 12 cylinder Bunker C-burning diesel engine located at Bulata Pier. This engine is highly efficient, generating 4.3 kWh per liter of fuel. In addition to the 30 MW generator, the Company owns one other generating plant at the site consisting of several medium-

sized generators located close to the ore processing facility.

Industrial water, apart from that recycled from the tailings pond and that obtained from dewatering of the Cansibit pit, is derived from the Patio-tio springs. Domestic water is obtained from deep wells, which is pumped to a head/storage tank.

The Company maintains housing at the minesite for about 400 of its senior employees and general community services including a 1,000 square meter area hospital with extensive medical and dental facilities, schools, recreational facilities, churches and markets.

MARICALUM MINING CORPORATION
Income Statements
(Pesos, MM)

	9 mos. 1991	1990	1989	1988
Revenues from Operations	1,559.9	2,148.6	1,815.0	2,036.1
less: Refining, Treatment Charges	411.7	544.6	447.5	529.3
Insur., Market. & Fin. Charges	14.3	23.1	24.7	34.1
Taxes & Royalties	78.9	120.5	93.3	106.0
Net Revenues	1,055.0	1,460.4	1,249.5	1,366.7
Operating Costs & Expenses:				
Mining & Milling	781.2	795.7	860.3	759.8
Depreciation & Amortization	192.1	222.2	256.6	265.8
General & Administ. Expenses	97.9	132.0	130.5	97.9
Provisions for Doubtful Acts.	0.0	0.1	0.0	0.0
Total	1,071.2	1,150.0	1,247.4	1,123.5
Operating Income	(16.2)	310.4	2.1	243.2
Other Income (Expenses)	5.3	(28.9)	14.7	16.8
Net Income (Loss)	(10.9)	281.5	16.8	260.0
Memo Items:				
Total Material Mined (DMT, 000)	4,617	6,553	7,497	9,515
Total Ore Milled (DMT, 000)	4,306	6,307	7,524	9,599
Cu Concentrate Produced (DMT, 000)	90	134	121	135
Cu Metal Produced (lbs, MM)	52.9	74.8	66.3	85.3
Au Metal Produced (oz, 000)	5	5	8	9
Period-end Exchange Rate (Pesos/US$)	27.20	28.00	22.43	21.34

MARICALUM MINING CORPORATION
Balance Sheets
(Pesos, MM)

	Sept. 1991	1990	1989	1988
Assets				
Cash	20.5	51.3	55.6	302.7
Receivables	322.6	249.5	216.6	202.9
Inventories – net	659.4	611.9	474.2	375.7
Prepaid Expenses	137.6	78.5	283.9	172.5
Total Current Assets	1,140.1	991.2	1,030.3	1,053.8
Advances to Affiliated Cos.	81.0	81.5	81.9	84.3
Fixed Assets – net	1,874.7	2,020.5	1,977.9	2,065.8
Preoperating Expenses – net	169.6	202.9	247.3	291.7
TOTAL ASSETS	3,265.4	3,296.1	3,337.4	3,495.6
Liabilities & Equity				
Bank Loan	7.4	7.4	7.4	7.4
Accounts Payable & Accrued Expenses	229.5	134.6	165.3	78.3
Accrued Taxes	394.7	407.9	479.1	614.3
Total Current Liabilities	631.6	549.9	651.8	700.0
Due to National Government	3,251.4	3,251.4	3,251.4	3,251.4
Advances on Product Shipments	41.6	109.2	130.7	336.8
TOTAL LIABILITIES	3,924.6	3,910.5	4,033.9	4,288.2
EQUITY	(659.2)	(614.4)	(696.5)	(792.6)
TOTAL LIABILITIES & EQUITY	3,265.4	3,296.1	3,337.4	3,495.6
Memo Item:				
Period-end Exchange Rate (Pesos/US$)	27.20	28.00	22.43	21.34

APPENDIX C

LIST OF PROSPECTIVE INVESTORS

Foreign Mining Companies

1. Magma Copper Mining Company (U.S.)
2. RTZ Corporation Plc (U.K.)
3. Phelps Dodge Corporation (U.S.)
4. Asarco Incorporated (U.S.)
5. Cyprus Minerals Company (U.S.)
6. Broken Hill Proprietary Co. Ltd. (Australia)
7. Anglo American Corporation (S. Africa)
8. Boliden Mineral AB (Sweden)
9. AGIP Resources Ltd. (Canada)
10. Exxon Corporation (U.S.)
11. Western Mining Corporation (Australia)
12. Atlas Corporation (U.S.)
13. Hecla Mining Company (U.S.)
14. Placer Dome Inc. (Canada)
15. MIM Holdings Ltd. (Australia)
16. Royal Oak Resources (Canada)
17. Ventures Trident LP (U.S.)
18. Industrial Minera Mexico, S.A. de C.V. (Mexico)
19. Arimetco Inc. (U.S.)
20. Mamut Mining (Malaysia)

Filipino Mining Companies

1. Atlas Consolidated Corporation
2. Lepanto Mining Corporation
3. Bengetti Mining Corporation
4. Marcopper
5. Philex

Foreign Smelting and Refining Companies

1. Korea Mining and Smelting (Korea)
2. Mitsui Mining and Smelting (Japan)
3. Nippon Mining (Japan)
4. Sumitomo Metal Mining (Japan)
5. Dowa Mining (Japan)
6. Furukawa Corporation (Japan)

International Trading Companies

1. Marubeni Corporation (Japan)
2. Marc Rich (U.K.)
3. Doy International Inc. (Korea)
4. Mitsubishi Corporation (Japan)
5. Alexander & Company (Australia)

International Banks

1. Citibank (U.S.)
2. BankAmerica (U.S.)

APPENDIX D

REPUBLIC OF THE PHILIPPINES

Announcement of Intention to Privatize

North Davao Mining Corporation

and

Maricalum Mining Corporation

The Asset Privatization Trust of the Philippines intends to invite bids for the purchase of controlling interests in each of the above mining companies.

Maricalum Mining Corporation is a well-established operation located on the island of Negros which owns facilities with a potential capacity to mine and process over 25,000 tonnes/day of copper ore.

North Davao Mining Corporation is a relatively new operation on the island of Mindanao owning extensive claim areas with promising reserve potential and facilities with a potential capacity to mine and process 20,000 tonnes/day of copper and gold containing ore.

Investors interested in obtaining information memoranda describing these acquisition opportunities are requested to contact:

Mr. Felipe Bince
Asset Privatization Trust
8747 Paseo de Roxas, 10th Floor
Makati, Metro Manila
Philippines

Tel.: (632) 818-4733
Fax: (632) 818-4591